FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,566 Friday June 17 1988 D 8523 A

Politics today: British Labour Party's trade union ties, Page 19

World News

South Africa says nine 'guerrillas' shot dead

Police shot dead nine "guerrillas" who infiltrated South Africa to carry out attacks on the anniversary of the 1976 Soweto uprising, Adriaan Vlok, Law and Order Minister, said.

He made the announcement as hundreds of thousands of blacks defied the Government by staging a massive stayaway to commemorate Soweto Day. Page 20

Khomeini 'still alive'

An Iranian government official denied rumours broadcast by Britain's independent Channel Four Television that Ayatollah Ruhollah Khomeini had died.

UK action on hooligans

The British Government called on football authorities to take tougher action against hooliganism and threatened to use legislation if voluntary moves did not succeed. Page 20

Japanese boycott

A Japanese supermarket operator, Ito-Yokado, has suspended sales of South African products because of Pretoria's racial policy. Page 4

US fraud inquiry

More than 200 subpoenas on military contractors and individuals were served this week towards the end of a two-year inquiry into alleged fraud and bribery at the US Defence Department. Page 20

Clowes bailed

Peter Clowes, at the centre of investigations into the collapse of the Barlow Clowes fund management companies, was remanded on £300,000 bail by City of London magistrates. Page 9

Chile vote call

Chile's Communist Party called for a no-vote in the forthcoming presidential plebiscite against the Pinochet regime. Page 4

EC conscience clear

Jacques Delors, EC Commission president said Europe had a clear conscience in refusing to make more cuts in farm subsidies and in seeking international liberalisation in response to its market de-regulation. Page 2

Special guests

Jesse Jackson, Democratic presidential candidate, said he would invite Winnie Mandela and Lech Walesa to the Democratic national convention in Atlanta next month.

Islamic law in business

Pakistan is to enforce Islamic law in the domestic financial services industry although foreign business and credit dealings will remain unaffected. Page 7

Hungary would take aid

A senior Hungarian party official has indicated that Budapest might accept Western economic aid for Eastern Europe, modelled on the Marshall Plan. Page 2

Zloty's new value

A Polish state bank started selling hard currency coupons denominated in dollars at the black market rate of 1,500 zlotes per dollar. The official rate is 430 zloties to $1.

UK rejects advert plan

The UK will not ratify a Council of Europe convention on international TV broadcasting unless proposed rules limiting the interruption of programmes by adverts are changed. Page 8

Brazil wages challenge

Brazil's efforts to cut its public sector wages bill have been undermined by a tribunal's ruling that the measure is unconstitutional. Page 4

Karachi blast

An explosion ripped through a gas pipeline in Karachi, Pakistan's leaving many killed or injured and the city's evening traffic at a standstill.

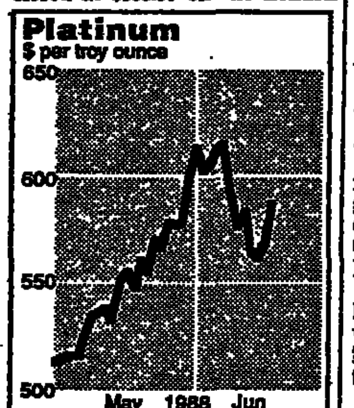
Business Summary

GE to buy Borg-Warner chemicals for $2.3bn

BORG-WARNER, Chicago-based industrial conglomerate which was taken private just over a year ago in a $4.2bn leveraged buyout, agreed to sell its speciality chemicals business to General Electric of the US for $2.3bn in cash. Page 21

POLYSAR Energy and Chemical, eastern Canada's largest petrochemical producer, has agreed to a sweetened bid of almost C$2bn (US$1.64bn) by Nova, western Canadian energy group, following an eight-month takeover battle. Page 21

PLATINUM: The troy ounce price closed at $588.50 on the London



Metal Exchange sharply up $16.90 on the previous day. Commodities, Page 30

WALL STREET: At 2pm, the Dow Jones Industrial Average was down 26.57 at 2,104.73. Page 42

LONDON: FT-SE 100 index was 10 points better early on, before revised UK trade figures, average earnings statistics and Wall Street's poor opening swung investors' moods. With the downturn led by international stocks, the index ended 7.4 points down at 1861.9 on turnover of 467.5m shares. Page 42

TOKYO: Massive funds continued to flow into leading stocks, in spite of investor wariness about the rapidity of recent price rise. The Nikkei average reached another all-time high after its fourth straight advance. The market barometer of 225 select issues soared by 134.79 in early trading to the day's high of 28,228.31, but closed at 28,147.32, a rise of 53.8. Page 42

DOLLAR closed in London at DM1.7535 (DM1.7530), Y125.75 (Y126.20), SFr1.4610 (SFr1.4660), FFr5.9125 (unchanged). Page 31

STERLING closed in London at $1.7865 (unchanged), DM3.1325 (unchanged), Y224.75 (Y225.50), SFr2.6100 (SFr2.6200), FFr10.5625 (unchanged). Page 31

AIRBUS INDUSTRIE, European aircraft consortium, has received the go-ahead to sell its airliners to Eastern bloc countries, Western diplomats said. Page 6

SCHNEIDER, French electrical equipment and construction group, has been given the go-ahead from Paris stock exchange authorities for its FFr6.1bn ($1.37bn) offer for Télémécanique, industrial automation company. Page 22

MAZDA MOTOR, Japanese car and truck maker which is nearly a quarter owned by Ford Motor of the US, more than doubled its profits in the six months to April after a bad patch in the previous year. Page 27

WEST GERMANY: A bitter dispute between Daimler-Benz, motor and industrial concern, and family shareholders in the Dornier aerospace company halted development of a commuter aircraft, which requires financing of DM700m ($402m) for production in the 1990s.

JAMES HARDIE Industries, Australian building products and paper company, has written off all the A$72.7m (US$58.6m) unamortised goodwill on its books, in a review prompted by the October stock market crash. Page 21

CANADA appears poised to strike three big deals worth C$11bn (US$9bn) with French-based companies, involving passenger aircraft and nuclear-propelled submarines. Page 6

Saudis buy $800m share in Texaco's US sales network

BY JAMES BUCHAN IN NEW YORK, MAX WILKINSON IN LONDON AND FINN BARRE IN RIYADH

SAUDI ARABIA yesterday took its first important step into overseas oil product markets with the purchase of an $800m half-share in Texaco's huge network in the eastern US.

The deal, which was announced yesterday in New York, gives Saudi Arabia half-shares in three big refineries on the Atlantic coast and the Gulf of Mexico, and access to more than 11,000 Texaco petrol stations.

The Kingdom will supply up to 600,000 barrels a day (b/d) to the joint venture and will have an equal voice in nearly three-quarters of Texaco's US downstream business. It is not known how much of the purchase is in cash.

Yesterday's agreement is the most significant move yet in a gradual shift in marketing strategy by leading members of the Organisation of Petroleum Exporting Countries (Opec).

The pace has been set so far by Kuwait and Venezuela, both of which have made major moves into refining and marketing in the major consuming countries.

The Kuwait Petroleum Company, set up at the beginning of this decade to pursue a downstream integration policy, has acquired 4,500 petrol stations worldwide and refinery capacity which will reach 700,000 b/d by the end of the decade.

Venezuela has adopted a similar strategy with the 1986 purchase of refining capacity and a share in the US company, CITGO, which owns 5,500 petrol stations.

Both countries have made it clear they want to pursue an aggressive policy of further downstream expansion, and Kuwait's £4m ($7.1bn) purchase of a 20 per cent share in British Petroleum was widely seen as part of this trend.

Senior US officials have speculated that Opec's growing stake in European and US downstream markets will eventually banish the prospect of oil's use as a political weapon.

For Texaco's embattled management, the deal is a last bold effort to thwart a takeover bid by Mr Carl Icahn, a powerful New York investor. At a meeting in Tulsa, Oklahoma, this morning, shareholders will vote whether to elect Mr Icahn to Texaco's board.

Mr James Kinnear, Texaco's chief executive, has implored stockholders to oppose Mr Icahn and support a management-led reorganisation, which involves raising $5bn from selling businesses including the downstream assets in yesterday's deal. Mr Icahn says the company should be sold whole or in pieces to raise $60 a share for stockholders.

The deal is in the form of a letter of intent between Texaco and Aramco Services Company, the Houston-based subsidiary of the Saudi state Arabian American Oil Company.

Under the deal, a new company called Saudi Refining will take 50 per cent stakes in Texaco's refineries at Delaware City, Convent, Louisiana and Port Arthur, Texas; 49 terminals; 1,450 company-owned service stations and a branded distributor network of more than 10,000 stations in 23 states and the District of Columbia.

Neither Texaco nor Saudi Refining would say yesterday how much cash the Kingdom was putting up for the fixed assets, valued at $800m. But they said Saudi Refining would supply 75 per cent of the joint venture's starting inventory of crude and refined oil, thought to be about 30m barrels, and half the other working capital.

Texaco, which was a partner in Aramco until it was nationalised in the early 1980s, said yesterday it thought the deal would save about $2bn in cash which would otherwise be tied up in stock and working capital.

Fight for America's corporate heart, Page 18; Downstream course, Page 21

UK bidder lodges suit against French bourse

BY GEORGE GRAHAM IN PARIS

THE TAKEOVER battle for Holophane, the French lighting equipment producer, last night moved into the Paris law courts as Emess, one of the two UK bidders, filed a suit against the French stock exchange.

Emess asked the appeal court to overturn a stock exchange decision refusing to register its FFr793.5m ($134.2m) offer for Holophane, while at the same time accepting the FFr912.5m counter-bid lodged by Thorn EMI, its much larger rival in the UK lighting market.

It is the first time that the French stock exchange has been sued, following changes in its status in last year's stock market reform law.

The case offers a rude welcome for Mr Regis Rousselle, who took over as stock exchange chairman on Tuesday. His predecessor was forced to resign following a scandal involving the loss of FFr500m from the exchange's reserve funds.

The French stock market authorities have objected to Emess's bid on the grounds that it hinges on irrevocable acceptances by shareholders representing 57 per cent of Holophane's capital and thereby blocks the way to an overbid.

The takeover panel, which includes representatives of the exchange, the Treasury and the Commission des Operations de Bourse (COB), the stock market regulatory authority, last week issued a general statement saying it considered such engagements as unacceptable during a takeover bid.

Under normal French bid procedure, acceptances may be withdrawn until 10 days before the offer closes. Emess, however, needed to be sure of its bid to obtain its own shareholders' approval for a rights issue to fund the purchase, and had therefore secured irrevocable commitments from most of Holophane's shareholders.

But Union des Assurances de Paris, a Holophane board member with 12.7 per cent of its capital and France's largest equity investor, refused to join the group irrevocably accepting the offer.

Emess had also secured similar irrevocable engagements from institutions representing more than 81 per cent of its own capital, so it could lodge an unconditional offer in Paris before its shareholders' meeting next week.

If Emess were now to return to the bidding battle, it would have to top the latest offer by at least 5 per cent under French takeover rules, taking the price to more than FFr958m and valuing Holophane at more than 20 times last year's earnings.

Mr Kenneth Costa, director of S.G. Warburg the securities firm which is advising Emess on its bid, said yesterday that the Paris stock exchange decision was "so manifestly unreasonable as to require an immediate remedy."

"We have complied with every letter of the law and yet the authorities have turned down our offer without giving any reason. We have been left with no other recourse but to let the court decide."

Bankers in Paris said last night they expected the appeal court to issue a preliminary opinion in 10-12 days' time, but a full judgment on the underlying issues could take years.

France has experienced around 340 public takeovers in the last 20 years, and only around 10 per cent of those have been hostile. The body of case law to back up takeover practice is therefore limited, and merger and acquisition specialists often complain that the rules change with practically every new bid.

The COB has already modified its rules to require more information from potential bidders.

Schneider wins Télémécanique, Page 22

Third Soviet party boss sacked

BY QUENTIN PEEL IN MOSCOW

MR KARL VAINO, Communist Party leader in the Baltic republic of Estonia, yesterday became the third Soviet provincial party boss to lose his job at a time of resurgent nationalist feeling.

He was summarily removed from the post he has held for 10 years at a plenary meeting of the party central committee in Tallinn, in a coup comparable to those which ousted the party leaders in both Armenia and Azerbaijan last month.

Mr Vaino gained office during the Brezhnev years, now reviled as the "period of stagnation". He had nonetheless presided over the introduction of reforming economic policies in the republic, whose 1.5m inhabitants have the highest per capita income in the Soviet Union.

In recent months, however, Estonia has seen a resurgence of strong nationalist feeling, although divided between outspoken support for the *perestroika* of Mr Mikhail Gorbachev, the Soviet leader, and more overtly separatist nationalism.

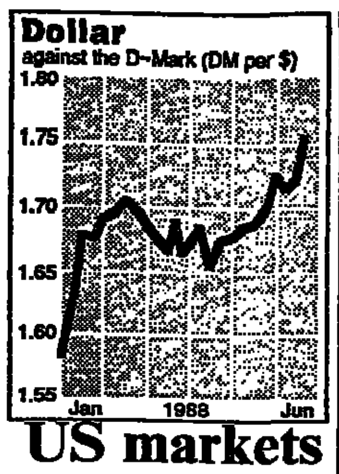
The Estonian party chief was strongly criticised by a widely reported meeting of writers and intellectuals two months ago, for his failure to protect the ecology of the Baltic republic, and his failure to tackle corruption in the party system.

Mr Gorbachev has opted instead for a man who has spent the past eight years outside the republic – as he did in both Armenia and Azerbaijan. The new first secretary is Mr Vaino Vaelaes, most recently the Soviet Ambassador in Nicaragua, but formerly a party functionary in Tallinn.

The Soviet leader is clearly anxious to have men he can trust in key sensitive positions in the coming period, especially in those republics facing a possible nationalist revolt.

The official Soviet newsagency, Tass, reported the affair without hint of an official tribute to Mr Vaino. Of his successor, it showed how swiftly he had been parachuted into the job, saying he declined to present his "platform" at the meeting, "explaining that he should first take counsel with the more active of the republic's Communists."

Soviet press criticised on Armenia, Page 2; Editorial comment, Page 18



US markets anticipate interest-rate moves

By Our Foreign and Economics Staff

WEST GERMAN money market rates moved up yesterday and Federal bond prices fell in the strong expectation that the Bundesbank, the West German central bank, would raise a key interest rate next week.

US financial markets fell sharply for a variety of reasons including concerns that interest rates overseas are headed higher. On the New York Stock Exchange, the Dow Jones industrial average closed 37.16 points lower at 2,094.24.

US Treasury bonds slumped by more than a point, wiping out nearly all the gains achieved in response to Tuesday's encouraging trade news. The Treasury's benchmark long bond was quoted 1½ points lower in late trading to yield 8.98 per cent.

The dollar also weakened. In late New York business, it was quoted at its day's lows against the yen at Y125.55 but held up better against the D-Mark despite reports of dollar sales by the Bundesbank, Germany's central bank. It was quoted at DM1.7502, compared with a low of DM1.7430.

Bonds were undermined by a combination of a lower dollar, higher money market interest rates in West Germany and Japan and another surge in commodity prices related to severe drought across the US farm belt. Equities followed the bond market lower.

There is concern that non-US interest rates will be pushed higher over the next few weeks, which threatens the dollar's recent stability.

A report yesterday in Handelsblatt, the West German financial newspaper, said the Bundesbank would raise the interest rate on the regular securities repurchase deals through which it helps supply commercial banks with liquidity.

The report said the so-called "repo" rate, which has remained unchanged at 3.25 per cent since November, could be increased to 3.50 per cent next Tuesday, when the next transaction is due.

Trade gap distorted, Page 4

Japan reports 11% jump in growth rates

BY PETER MONTAGNON IN TOKYO

JAPAN'S economic growth soared to an annual rate of 11.3 per cent in real, inflation-adjusted terms in the first quarter of this year, the first double-digit rate of increase for 11 years.

The figure, which compares with an annualised growth rate of 7 per cent in the last quarter of 1987, was higher than expected and will provide Mr Noboru Takeshita, Prime Minister, with some welcome news for the Toronto summit to which he departed yesterday.

It confirms the buoyancy of domestic demand in Japan, which has become the main locomotive of the economy as exports have slowed down in the wake of the increase in the value of the yen.

The Economic Planning Agency in Tokyo attributed the rise in the growth rate to the emerging effect of the Y6,000bn ($47.4bn) reflationary package adopted by the Government last year as well as the effect of the strong yen on real incomes.

Japan's economic recovery took hold in the second half of last year, sustained first by the relaxed monetary policy of the Bank of Japan which produced a boom in the stock market and in the housing industry. Subsequently it spread to personal consumption, while more recently capital investment spending by industry has picked up the slack left by flattening growth in the housing market, private economists say.

Yesterday's figures mean the Government's official target of 3.8 per cent for the current fiscal year to end March 1989 is almost certain to be exceeded. Mr Hirohiko Okumura, Chief Economist of NRI & NCC, the research institute of Nomura Securities, said he now expected growth to reach 4.7 per cent in fiscal 1988 and 5.2 per cent for the calendar year.

The speed of Japan's economic recovery has prompted some economists here to worry about a resurgence of inflation following sharp increases in money supply as a result of last year's heavy intervention on the foreign exchange markets, when the Bank of Japan bought about $35bn.

However, Mr Takeshi Ohta, Deputy Governor of the central bank, said yesterday there was no imminent risk of inflation.

Continued on Page 20
Leisure investment boom, Page 4; Lex, Page 20

British trade deficit predicted to widen

BY SIMON HOLBERTON IN LONDON

BRITAIN'S TRADE account deficit is likely to be larger than the £4bn ($7.14bn) forecast in the Budget. Acknowledging this yesterday, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said there was "no hint of a payments crisis".

He conceded that the forecast would have to be revised upwards in the wake of official figures showing a trade shortfall for the first three months of £2.8bn. This compares with £1.9bn for the same period last year.

The Central Statistical Office said its preliminary estimates of Britain's trade in the first quarter meant that the previous monthly totals had to be revised upwards by £900m to take account of reduced invisible earnings and higher imports.

Along with other figures released yesterday, showing another fall in unemployment and a rise in average earnings to their highest level since September 1985, the data confirm the view that the British economy is expanding at a brisk pace and that much of its buoyancy is due to consumer demand.

UK financial markets, however, saw an inflation threat in the picture presented by the combined figures. On the stock market, yields on long-dated gilt-edged securities reversed the gains made earlier in the week and closed at around 9.5 per cent.

Equity prices fell, with the FT-SE 100 Share Index closing 7.4 down at 1,861.9 and the FT Ordinary Share Index down 4 at 1,481.6.

There was widespread speculation of another rise in interest rates to choke off the inflation threat. The UK authorities, however, have shown themselves sensitive to the exchange rate and any move on British rates, in the absence of rises in other major markets, could lead to a renewed rise in the pound.

Continued on Page 20
UK jobless total down, average pay up, Page 8; editorial comment, Page 18

CONTENTS

MEXICAN POLL NO LONGER JUST CHANGING OF THE GUARD

Carlos Salinas de Gortari, anointed as successor, has made modernisation the issue, Page 20

EC will resist pressure on farm subsidies, says Delors

DAVID BUCHAN IN BRUSSELS

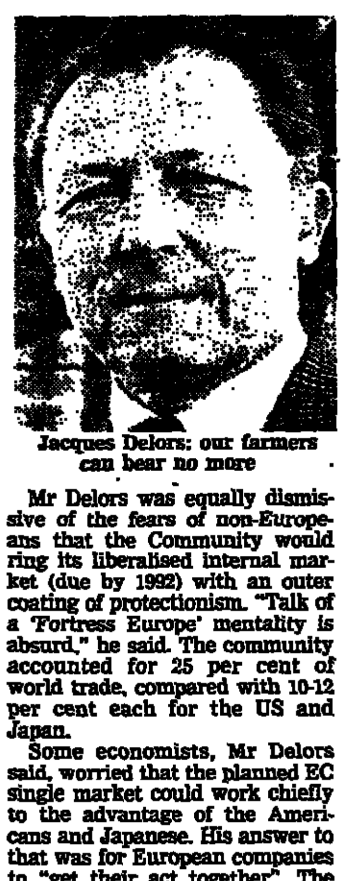
EUROPE can have "a clear conscience" both in refusing to make any more immediate cuts in its farm subsidies and in demanding some liberalisation from the rest of the world in response to its internal market de-regulation programme, Mr Jacques Delors, the EC Commission president, said yesterday.

He hoped that Europe – as represented by himself and leaders of the four largest EC states – would speak with one voice at the Toronto summit this weekend with the US, Canada and Japan, which is expected to discuss the world economy and trade, North-South debt issues and East-West relations.

Britain has said it wants the Toronto meeting to make progress on reducing farm subsidies, an issue on which the EC and the US are at loggerheads in the current trade negotiations under the General Agreement on Tariffs and Trade.

He recalled that the recent EC reforms, in particular those agreed last February, had cut community farm spending to Ecu27bn (£17.8bn) this year, from the Ecu34bn that it would otherwise have been. "At the moment what we have done is the maximum our farmers can bear humanly, socially, economically and politically," he said.

In the Gatt talks, the US has called for an end to all farm subsidies, while the EC has focused on shorter-term, less drastic solutions to world food trade distortions.



Jacques Delors: our farmers can bear no more

Mr Delors was equally dismissive of the fears of non-Europeans that the Community would ring its liberalised internal market (due by 1992) with an outer coating of protectionism. "Talk of a 'Fortress Europe' mentality is absurd," he said. The community accounted for 25 per cent of world trade, compared with 10-12 per cent each for the US and Japan.

Some economists, Mr Delors said, worried that the planned EC single market could work chiefly to the advantage of the Americans and Japanese. His answer to that was for European companies to "get their act together". The commission planned to tackle the issue of reciprocity "sector by sector", he said, rather than insisting on any general approach.

When the community passed a directive liberalising a particular sector, the commission would consider what reciprocal freedoms could be gained from other countries. It would, he said, "carefully distinguish" between sectors (such as industrial goods) covered by Gatt rules requiring concessions to be offered to all parties, and areas not yet covered by Gatt rules (such as many services). Bilateral negotiations would be possible in the latter case.

On the general economic perspective, Mr Delors concurred with the general forecast that the mood at Toronto would be upbeat, because of buoyant economic growth at the moment in Europe, North America and Japan. EC Commission economists, however, see this trend in Europe as precariously dependent on extra liquidity pumped in after the stock exchanges crash last October and the evaporating beneficial effect of the 1986 oil price drop. They also believe Europe's growth rate will only be sustained, not by exports but by internal synergistic growth of the kind that could be created by the EC's 1992 programme.

Mr Delors was sceptical that a meeting that promised to be a bit of a farewell jubilee for President Ronald Reagan would tackle serious distortions in the world economy such as the US trade and budget deficits and Third World debt.

Greece to press transport case

BY WILLIAM DAWKINS IN BRUSSELS

GREECE, which takes over the EC presidency next month for six months, is expected to press for agreement on plans to spend Ecu630m on improving the community's roads and railways up to 1992.

Transport ministers will have their first chance to discuss the proposal, put forward by the EC Commission earlier this week, at a two-day meeting starting next Monday. It is likely to come under fire from the UK and the Netherlands, who prefer to stick to the present system of releasing EC transport spending – Ecu60m this year – in annually negotiated parts.

But the proposed transport fund is being seized on by southern member states as a welcome compensation for the extra competition they will face from their northern members.

The Brussels executive sees it as a way of bringing EC transport links up to the demands likely to be made on them by the creation of a free single market.

It is proposing that spending on road and rail links should double to Ecu120m next year and then rise again to Ecu150m for the following three.

Modernisation of roads between southern Germany, Italy and Greece, improvement of road and rail links between Paris, Madrid and Lisbon, Channel Tunnel connections and high-speed rail lines for northern Europe are among the projects the commission has earmarked for possible help.

● The UK yesterday affirmed its support for Europe's Eureka initiative at a meeting of European industry ministers in Copenhagen.

Of the 54 new projects approved by the ministers, UK companies are participating in 17, bringing the number of UK companies involved in Eureka projects to 77. Only France has more companies participating.

Ministers agree to EC limit on gas for aerosols

By Tim Dickson in Luxembourg

THE EUROPEAN Community yesterday agreed to limit the production of environmentally-damaging chemicals as part of an important global effort to protect the earth from solar radiation.

The decision by EC environment ministers to freeze production of chlorofluorocarbons (CFCs) from July next year, and implement cuts of 20 per cent and 30 per cent in 1992 and 1998 respectively, follows the community's signing of the Montreal protocol on CFCs in September last year.

CFC substances, which are used in a wide range of products such as aerosols, furniture foam, refrigeration and fire-fighting equipment, have caused growing concern because of fears that they may be damaging the earth's ozone layer.

The EC is estimated to account for around 300,000 tonnes of the 1m tonnes of the CFC production.

Yesterday's decision was only taken after a resolution was inserted at the insistence of Denmark and the Netherlands designed to ensure that member states which wish to take more drastic action to curb the use of CFCs will not inadvertently allow other producers in other EC countries to "take up the slack". The Dutch, for example, want to ban aerosols with CFCs completely.

At the commission's suggestion the council proposed that the restrictions should be applied on an EC basis, with the controls on imports and production rather than specific restrictions on individual products.

A commission expert nevertheless predicted last night that aerosols with CFCs would probably disappear in the next 10 years.

The ministers yesterday also agreed to look into the possibility of labelling non-CFC or "ozone-friendly" products within the EC.

● Hopes were raised last night that a community plan to reduce sulphur from power stations and other industrial complexes would be agreed after a significant concession by Britain.

The UK Government had previously said that the commission's proposals went too far, but last night Lord Caithness, junior environment minister, agreed to step up Britain's scheme to cut pollution.

Soviet press attacked for failing to report Armenian protests

BY QUENTIN PEEL IN MOSCOW

AN ATTACK on the failure of the Soviet media to report on the new upsurge of nationalist rivalries in the southern republics of Armenia and Azerbaijan has finally been published in a national newspaper.

The latest outbreak of hostility between the largely Christian Armenians and Moslem Azeris, which has brought tens of thousands of demonstrators onto the streets of the two republics, and precipitated a state of virtual anarchy in the mountain enclave of Nagorno-Karabakh, has provided a graphic illustration of the limits of glasnost, Mr Mikhail Gorbachev's policy of greater openness in government and information.

The only substantive report from the region to reach the national media was published in Pravda last week, three weeks after the start of a general strike in Nagorno-Karabakh, the mountain enclave in Azerbaijan which wants to be incorporated into neighbouring Armenia.

No mention has been made on national television or radio, in spite of the fact that Pravda admitted that the local authorities had effectively lost control of the situation, leaving vigilantes patrolling the streets, and food rationing in force.

The dramatic sackings of the two Communist party leaders in the two republics were printed, but said to be simply for health reasons – an explanation which brought at least one scathing letter to be published, but no formal correction or clarification.

Yesterday, however, the newspaper Komsomolskaya Pravda, organ of the youth wing of the Communist party, published an account of the continuous mass demonstrations which have been held by Armenians in their capital, Yerevan, in support of Nagorno-Karabakh.

"We don't understand the mass media's viewpoint in all this, particularly the central newspapers," one demonstrator declared. "Why are they silent? How can we talk of glasnost in such circumstances?"

"We are tired of contradictory information, rumours to which the official press does not react," another said.

The newspaper told how the theatre square in Yerevan had been transformed into a sort of speakers' corner, like London's Hyde Park. "Speakers mount the theatrical tribune to say exactly what they think ... Much of which, in the times of stagnation (the Brezhnev years) would have been labelled seditious," the correspondent writes.

He blames the whole new upsurge of passions on the tragic race riots in Sumgait in February, when Azeri youths turned on Armenian migrant workers, leaving a death toll officially put at 32, and rumours of new attacks in the offing.

The demonstrations were called off on Monday, after the new Communist Party leader in Armenia, Mr Serun Arutunyan, promised the republic's supreme soviet would vote in favour of union with Nagorno-Karabakh.

However the vote does nothing to solve Mr Gorbachev's problems, because party leaders in Azerbaijan are equally adamantly opposed to any border change.

According to the Soviet constitution, any alteration must have the consent of both republics, and the endorsement of the Supreme Soviet of the USSR in Moscow. In reality, the politburo of the Communist Party central committee must work out a solution to satisfy both sides.

The Armenian assembly deliberately voted not to consult its Azerbaijan counterpart, arguing that the issue can be solved under a different clause of the constitution, which simply guarantees the right of self-determination. Azerbaijan simply argues that article 78 states clearly: "The territory of a union republic may not be altered without its consent."

Komsomolskaya Pravda quoted an Armenian demonstrator: "If we are driven into a corner by the existing law, then it ought to be re-examined."

It quotes the "disturbing conclusion" of an opinion poll in Yerevan: "All possible traditional forms of protest had no effect on our government."

The newspaper says: "If there is a demand for information, then it ought to be satisfied. Otherwise it brings about a situation where tensions are high, and people are left to guess, and make up their own version of events, and at times begin listening to nonsense."

Mitterrand tightens amnesty

BY IAN DAVIDSON IN PARIS

FRENCH President François Mitterrand is keeping up the tradition of celebrating the start of a presidential term with an amnesty or remission of sentences for minor offenders.

But the amnesty is being more tightly drawn than after his first election victory seven years ago, when the extent of the presidential pardon was particularly generous.

The tradition was inaugurated by General de Gaulle after his election in December 1965, though it was not promulgated until six months later. Subsequent presidents have enacted an amnesty immediately after their election.

On this occasion, the amnesty includes (as usual) a clean sweep of unpaid fines for parking and minor traffic offences, incurred up to the start of the new presidential term. The effect of the tradition is that almost nobody pays a parking ticket in the run-up to a presidential election.

For more serious offences, the amnesty wipes out prison sentences of up to four months, and suspended prison sentences of up to a year; by contrast, the 1981 amnesty included prison sentences up to six months, and suspended prison sentences up to 18 months.

The scale of the 1981 amnesty provoked charges from the right wing that France's first socialist president was being excessively generous.

Moreover, this time the amnesty will exclude all offenders convicted of any terrorist offences; in 1981 the exclusion applied only to offences which led to death or serious wounding.

The amnesty does not apply to drunken driving offences; in 1981 this exclusion applied only to offences which led to accidents.

The amnesty is expected to lead to the release from prison of some 4,500 prisoners, compared with around 6,000 in 1981. But it will also lead, like the 1981 amnesty, to an apparent increase in the rate of minor crime, since many of the minor offenders released are liable to be recidivists.

Amex plans Soviet cash dispensers

By David Lascelles

AMERICAN Express has signed an agreement with the Soviet authorities to operate what it claims are the first cash dispensers in the Soviet Union.

The machines will be for foreigners' use only.

The agreement, with the Bank for Foreign Economic Affairs of the USSR, provides for the installation of two machines which will dispense either US dollar travellers cheques or 10-rouble notes.

Soviet citizens may not hold foreign credit cards because of foreign exchange controls.

UK urged to axe Navy Malta visit

By Godfrey Grima in Valletta

OPPOSITION in Malta to a courtesy call by four Royal Navy warships escalated further yesterday with trade unions, the international Greenpeace movement and the opposition Labour Party stepping up pressure for Britain to call off the four-day visit.

Objections centre mostly round the claim that some ships may be carrying nuclear weapons.

It is also claimed that frequent visits by Nato warships impinge on Malta's constitutionally enshrined neutral and non-aligned status.

Foreign Minister Dr Vicent Tabone said the Government would equally sanction requests for visits by ships from Warsaw Pact countries.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

EUROPEAN NEWS

Promise of extra benefits for Sweden after election

BY ROBERT TAYLOR IN STOCKHOLM

SWEDEN'S ruling Social Democrats yesterday unveiled their manifesto for the general election on September 18 and promised to increase paid parental leave from nine to 18 months along with other improvements in the benefits system.

The parental leave will cost about SKr6bn (£550m) by the time it is fully in operation by 1991, according to the Finance Minister, Mr Kjell-Olof Feldt.

The Social Democrats also intend to increase statutory holidays from five to six weeks, and they promise that every child in Sweden over the age of 18 months will have the right to a place in a nursery school within three years.

But Mr Ingvar Carlsson, the Prime Minister, said that a re-elected Social Democrat government would carry through a major reform of the country's taxation system.

Income tax would be cut next year to stimulate work and savings, while the improved welfare provisions would be paid for by higher indirect taxation, by increases in contributions from capital and by tighter government spending.

Mr Feldt denied yesterday that purchase tax would be increased from the present rate of 23.4 per cent on items such as food, cars, books, clothes and eating out.

However, there are still untaxed goods, such as water, stamps, public amusements, phone calls and travel.

DENMARK's coalition government, formed two weeks ago, suffered its first setback yesterday as a centre-left majority in the Folketing prepared to block its first big economic policy initiative.

Prime Minister Poul Schlüter's Conservative-Liberal-Radical Liberal minority coalition wanted a 2 per cent cut in public employees wage budgets.

But a combination of the two socialist parties, the Social Democrats and the Socialist People's Party, and three non-socialist parties, told the Folketing's economic policy committee the proposal was over-hasty as the fiscal year was already half over. These parties have a majority.

The party said it would spend SKr300m in the next three years on improving Sweden's cultural life and carry through a big programme to protect the environment.

Mrs Anna-Greta Leijon, who resigned last week as Minister of Justice in the midst of a scandal over her sanctioning of a private inquiry into the murder of former Prime Minister Olof Palme, sat alongside Mr Carlsson at the press conference when the election manifesto was unveiled.

This is a clear sign that the Government is in no mood to disregard a leading member of the party, who was a popular minister. Mrs Leijon will play a big part in the campaign and she can expect to receive another senior ministerial post if the party wins.

However, the latest opinion polls suggest that the Social Democrats would remain the party with by far the largest number of seats in parliament, could fail to secure a working majority or retain their alliance with the Communists. The Communists have fallen below the 4 per cent of support that they require to secure seats in parliament.

The balance of power after the election could be held by the Green Party which has about 6.5 per cent of support. The Greens have not won seats in parliament before, and although the centre-right regard them as on the left, the Social Democrats fear they would be unreliable supporters.

A little bit of West Berlin goes East

For 34 years West Berliner Hans Wendt crossed the Wall to his East German farm. Leslie Colitt reports

WHEN Mr Hans Wendt, one of the last farmers of West Berlin, died three months ago at the age of 71, people put it down to a broken heart.

After 34 years of working the sandy soil of Mark Brandeburg he faced the prospect of his 54-acre property being transferred to the communist authorities.

His dispossession was part of an East-West commercial deal with strong political overtones.

Farmer Wendt's leasehold property belongs to West Berlin even though it lies three miles inside East Germany. On July 1 it will be swapped along with three other bits of West Berlin for 12 chunks of uninhabited border land belonging to East Berlin and East Germany.

While West Berlin is delighted with the benefits from the exchange, East Germany will top up its hard currency reserves by DM76m (£25m). This is what the West is paying because the barren inner city real estate being ceded by East Berlin is deemed more valuable than the more marginal West Berlin property.

One of the plots West Berlin is getting lies on Potsdamer Platz, the bustling pre-war heart of Berlin but now an uninhabited border strip with tall grass and trees which West Berlin has long coveted for a road. West Berlin environmentalists last month occupied the 40,000 sq metre area for weeks to claim it as a nature preserve and the city is still deliberating how to evict them.

East Germany, with Moscow's support, now sees its political and economic interests best served by co-operating with West Berlin instead of trying to combat it as in the past. East Germany annually relieves West Germany of more than DM800m in transactions connected with West Berlin. It sells DM1.5bn of goods to the city, including some of the toughest pork meat in Europe.

Under a recent agreement with West Germany, East Germany will obtain peak load electricity from West Germany which is extending its power grid to West Berlin. More benefits will accrue to East Berlin if a high-speed rail link is built across East German territory between West Germany and West Berlin.

These technocratic triumphs interested Mr Wendt not a whit. He was about to lose his idyllic Wueste Mark Farm nestled between thick stands of beech and oak south of West Berlin. It is one of three tiny West Berlin enclaves inside East Germany which are to be exchanged for socialist territory.

The agreement to swap property was reached last February by the Mayor of West Berlin, Mr Eberhard Diepgen, and East Germany's leader Mr Erich Honecker after four years of haggling over the price. The city of West Berlin said it would compensate Mr Wendt. But he knew that the loss of Wueste Mark meant the family stable of Arabian riding horses in West Berlin was unlikely to survive without cheap fodder and hay from the farm.

After nine years as a prisoner of war in a Soviet labour camp Mr Wendt returned in 1954 to the family farm at Prenzlau in East Germany. But as it was larger than 150 hectares it had been expropriated by the Communists. Arriving in West Berlin he was told by the authorities in the suburb of Zehlendorf about an isolated farm owned by West Berliners which no one wanted to till. It happened to be in East Germany but Mr Wendt was unfazed.

"After coming out of a Soviet labour camp I thought to myself how much worse could it be," he recalled shortly before his death.

Each day Mr Wendt drove his tractor five miles from his home in West Berlin to the East German border. After the painstaking controls it was another three miles to the farm and back again each evening. But his produce quickly found a market in West Berlin which lasted until cheaper Italian vegetables arrived. At no time was he allowed to sell to East Germans who, in any case, had only non-convertible Marks.

On the day the Berlin Wall was built, August 13, 1961, Mr Wendt happened to be in East Berlin to pick up a quarterly permit required for entry into East Germany. When the Volkspolizei rushed him out of East Berlin he saw his farming career at an end. But acting on a hunch he asked the West Berlin authorities to issue him a new identity card which proclaimed him to be a resident of Wueste Mark instead of West Berlin. The next morning he headed for the East German border to try his luck.

"I pushed aside the concrete anti-tank barriers they had put up" he had noted. "No one stopped me."

The East German border guards suspiciously examined his new West Berlin identity papers but, after much consultation with headquarters in East Berlin it was decided that legally one could not prevent a West Berlin farmer from tilling his East German farm

Since then Mr Wendt, who was one of the only non-collectivised farmers left in East Germany, crossed one of the world's most tense frontiers with clockwork regularity. In recent years he saw it become a good deal more relaxed.

What will the East Germans do with Wueste Mark? Mr Wendt thought it would either be planted over with trees or transferred to the nearby Gueterfelde collective farm.

Although overcome with sorrow over the imminent loss of Wueste Mark, Mr Wendt never gave up his claim to a piece of property he inherited in East Germany in 1946. It is a nursery located at Gross Ziethen just outside West Berlin.

"The East recognises me as the owner but they won't permit my name in the title register," he had said. He suspected the reason was that the East German title holder of the nursery owed him money – albeit East German Marks – since taking over the property in 1946.

Rampaging steelworkers wreck Naples' civic treasures

BY JOHN WYLES IN ROME

ITALIAN attention was yesterday drawn away from the violent activities of football hooligans on West German streets to the extensive damage inflicted by 500 or so rioting steelworkers inside two of Naples' antique public buildings.

"Hooligans" was one of the first words reportedly used by Naples' Socialist mayor, Mr Pietro Lezzi, to describe the rampaging workers who had invaded the offices of both the regional and city governments and then set about breaking everything in sight from gilded mirrors and marble busts to chairs and furniture of description.

For some people the scenes carried by the television evening news brought back memories of the 1970s, when factory occupations and worker violence were part of the daily drama of an Italian society being strained at its seams. But apart from the Naples mayor and the five traffic policemen injured during the protests, few people were inclined yesterday to roundly condemn the steelworkers in public.

The Liberal Party did at least ask the right question: how was it that upwards of 1,000 people could descend on the city centre and force their way into public buildings without the forces of law and order raising any significant number of heads above the parapet?

One possible answer offered by Mr Walter Galbusera, a national official of the Uil union confederation yesterday, was that the police "felt some solidarity with the steelworkers". Mr Galbusera said he saw some moral justification for the riot because of the depth of fear and exasperation at the Bagnoli steelworks.

The demonstration had been launched by the news that the Government intended to close Bagnoli's steel melting shop in a year with the loss of 1,200 jobs, but that about 1,000 would be saved by keeping open its rolling mill. This is part of the steel restructuring plan carried yesterday to the European Commission in Luxembourg by Mr Carlo Fracanzani, the Minister for State Participation

Mr Galbusera said: "Ten years ago there were about 10,000 employed at Bagnoli. The workforce accepted big cuts and the 5,000 remaining at the start of the 1980s were told that the final price of restructuring had been paid. Now a thousand or less will be left and it is not surprising that they feel betrayed and believe that the plant is heading for closure.

● Italy's leading banks have raised many of their lending rates after signs of renewed concern at the Bank of Italy about the growth in bank credit.

The increase in rates of between 0.25 and 0.5 per cent appears to have been concerted by the leading banks, although the increases are not being uniformly applied to all rates.

Glasnost penetrates old enmities on Soviet border

Jim Bodgener reports on moves to open a border crossing closed since the start of the Cold War

BORDERS have a strange fascination, arbitrary lines politically or culturally imposed upon an often uniform landscape. None perhaps more so than at Sarp, a bifurcated hamlet in a small, wooded cove between the Soviet Union and Turkey on the south-eastern Black Sea shore.

It seems a forgotten, peaceful backwater, yet this closed border crossing is a focal point of relations between the Soviet Union and Turkey, a key member of the North Atlantic Treaty Organisation on the alliance's exposed southern flank.

Not that Sarp would have much wartime strategic value for Moscow – its main conventional thrust would come from where it always has, rolling through the Kars Gap, some 120 miles away over the mountains to the south. There is only a single regiment of Turkish soldiers guarding Sarp.

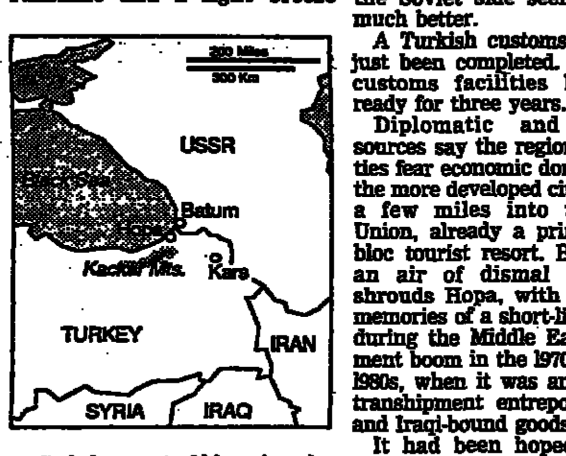
The planned opening of the Sarp border gate this summer is more symbolic of a warming in Turkish-Soviet relations, amounting almost to *glasnost*. Recently, the Soviets conceded an extension of Turkish airspace in the Black Sea and although there have been negotiating hiccups, bilateral trade is expected to grow steadily on the back of sales of Soviet natural gas for Turkish industry and home heating.

Sarp's division through the demarcation of the border during the founding of the Turkish republic in the 1920s was cemented for its 900-strong population – 600 villagers live on the Turkish side – when the Cold War began in the late 1940s, years before another more tangible concrete wall divided Berlin.

Since then, they have been forbidden to irritate Soviet sensitivities by even shouting or waving to friends and relatives, though no doubt many a surreptitious message is hung on washing lines. To visit each other, villagers on either side are forced to make an arduous two-day journey through the Dogukapi border crossing to the east of Kars, if permission can be begged from the authorities.

A couple of weeks ago, however, the sleepy hollow of hazelnut and tea small-holdings was invaded by two busloads of tourists on a trip to promote the mountainous province of Artvin – in Georgia of yore, nestling against the Soviet border – as a tourist paradise. It was organised by an American tourism consultant based in Istanbul and, as often happens on such esoteric excursions, a good proportion of the tourists actually were working journalists out for good copy.

On the Turkish side, while a stream babbled under the fitful sunshine and a light breeze wafted the scent of blooming rhododendrons, azaleas and lilies, television cameras whirred and pens scribbled to catch sorrowful accounts by ageing villagers of land expropriated on the other side, and parted friends and relatives.



Journalists and tourists alike were under strict instructions from their military escort that under no circumstances should their cameras point towards the Soviet side. Three months earlier, a photo in the Istanbul daily Hurriyet had earned a complaint from the Soviet embassy.

There was not much Soviet activity to be seen: if the opposite valley slope was bristling with security and surveillance devices, they were well hidden. Before a beach of black sand, two ramshackle, gawky guard towers faced each other, the Turkish grey, the Soviet green and, surprisingly, the lower of the two. Between them is reputed to be a wooden bridge with a line representing the border across its width.

As cormorants dried their wings on the rocks, it was hard to imagine TIR trucks or tourist charabancs rumbling through the border post, if and when it opens. Curiously, it is the Turks who appear to be dragging their feet, since their road from the port of Hopa as yet is little more than a rough track hewn from the bluff, pine-clad spurs of the Kackar mountain foothills that fall steeply into the sea. The road on the Soviet side seemed hardly much better.

A Turkish customs house has just been completed. The Soviet customs facilities have been ready for three years.

Diplomatic and business sources say the regional authorities fear economic domination by the more developed city of Batum a few miles into the Soviet Union, already a prime Eastern bloc tourist resort. By contrast, an air of dismal depression shrouds Hopa, with fast-fading memories of a short-lived heyday during the Middle East development boom in the 1970s and early 1980s, when it was an important transhipment entrepot for Iran- and Iraqi-bound goods.

It had been hoped that the tourists and the gaggle of pressmen could at least have tea on the other side, but this was not to be. Although an agreement was signed in the spring, Sarp's opening date progressively has been put back – scheduled first for June 17, then June 27 and now July or August.

The villagers themselves were singularly unimpressed by the prospect – little would change for them, they said, and there was no guarantee the border would not be closed again. Down in this neck of the woods, *glasnost* still had a long way to travel.

AMERICAN NEWS

Labour court undermines Brazilian public pay cuts

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL'S EFFORTS to cut sharply its public sector wages bill have been undermined by a Supreme Labour Court ruling that the Government's key measure is unconstitutional.

The judges' decision, by a 10-to-2 majority, suggests the Government will have an uphill task in trying to win an appeal to the federal Supreme Court. However, an apparent filibuster by one judge has temporarily delayed a full formal judgment.

The wage freeze measure introduced six weeks ago is seen by Mr Mailson da Nobrega, Finance Minister, as *a vital component in* his attempt to cut the public sector deficit, which is intended to be 4 per cent of gross domestic product at year-end but is believed to be running at an annualised 6 to 7 per cent.

Other austerity measures have included a freeze in state and municipal budgets, and cuts in federal spending programmes.

Since the salary *freeze*, which applies to all government staff including the armed forces, preliminary labour court adjudications have suggested that discrimination against public employees is illegal.

Mr da Nobrega has always insisted that, if the freeze is overturned by the courts, he will have no alternative to compulsory redundancies, further spending cuts and perhaps tax rises. One estimate puts the cost of paying backdated, inflation-linked rises at Cz276bn (£873m).

The wages issue has returned to the political foreground alongside alarming new figures that demonstrate the rapid growth in public sector debt. Mr da Nobrega revealed recently that Brazil's internal government debt is now the equivalent of about £56bn – almost as large as its foreign liabilities. Finance Ministry officials said yesterday that, in May, the Treasury issued new paper valued at Cz302bn to fund government spending.

Mr da Nobrega is also fighting moves in Congress, now sitting as an assembly drafting a new constitution for Brazil, to forgive medium-sized companies the inflation-linked indexing of their loan liabilities accrued since the end of the anti-inflationary Cruzado Plan collapsed in November 1986.

Such a move, critics have argued, could cost the Government *the equivalent of billions of* dollars.

Summit planner quits White House

THE WHITE House yesterday announced the long-expected resignation of Mr Thomas Griscom as President Ronald Reagan's communications director, our Foreign Staff reports.

His departure is thought unlikely to have a big impact on the administration. Mr Griscom was a planner for two of the summits with Mr Mikhail Gorbachev, the Soviet leader. He said the Washington and Moscow summits were "the high points of my tenure at the White House".

He will be suceeded by Ms Mari Maseng, a former speech-writer and press assistant in the Reagan White House, who served as Senator Robert Dole's presidential campaign spokesman.

Salaries stopped and health projects scrapped in economic squeeze

Haiti feels pinch as US aid is cut back

A SHARP cut-back in US aid to Haiti has hit the Western hemisphere's *poorest economy hard*, diplomats and government officials say, Reuter reports from Port Au Prince.

Government projects have *come to a halt*, public servants have gone without pay for three months and health programmes are suffering.

US aid was slashed after a *general election last November* - the Caribbean country's first free vote in 30 years - was aborted because of violence in which at least 43 people died.

"The country is paralysed. Government offices operate in a vacuum. If the situation is not resolved as desperate it's only because the Government has never done much," a senior official of the privately owned Haitian Mortgage Bank said.

Washington froze $70m in economic aid, but maintained $30m in humanitarian aid and $7.5m carried over from previous years. *The United States supplied the* most economic aid to the Caribbean nation.

Haiti's malaria control programme, *almost totally financed* by the US, was one of the first projects to be cancelled early this year.

Sources at the US Agency for International Development say the cutback on technical assistance caused by the American aid freeze will force the government to close down even those projects for which funds are available, causing the loss of 4,000 to 5,000 jobs.

Mr Leslie Manigat, Haiti's president, elected in an election on *January 17 which was* widely viewed abroad as having been rigged for a military-favoured candidate, has been attempting to mend fences with the international community ever since.

The European Community is expected to increase its $7.2m in aid, and France recently renewed its $1.9m commitment to assist Haiti. But the halting of US aid this year has hobbled the *government's $272m budget*.

About $30m of US aid would have been allocated to budget support, including development *assistance. The remaining* cuts affect the central bank's $165m foreign currency budget.

Banking sources also said the World Bank and International Monetary Fund have *frozen* $30m in loans to Haiti. Consequently, the Haitian government faces a $40m foreign exchange budget.

The Haitian government has tried to redress the financial shortfall by stopping payment of 10 *per cent of its* annual $70m debt-service bill, cutting $25m in development spending and clamping down on contraband.

In 1985, the administration of Jean-Claude "Baby Doc" Duvalier received $7.8m in import taxes, which two years later dropped to $2m after the interim military government of General Henri Namphy eased controls.

Mr Manigat's attempts to raise more import taxes were recently greeted by a march of 3,000 people at the port town of St Marc *protesting* the president's moves to halt illegal trading. Even if such action is effective, it will not compensate for the loss of US aid, which is unlikely to be resumed before September.

Around 60 per cent of Haitian government spending normally comes from foreign aid. But officials downplay the loss of US assistance.

"Much of the US aid goes to paying American experts. The aid has been suspended and life continues," Foreign Minister Gerard Latortue recently told a French radio interviewer.

A Canadian fact-finding parliamentary mission recently published recommendations to raise Canada's $15m annual aid to Haiti and other countries have offered to increase their assistance.

However, some Haitians doubt any other country will want to match the amount of aid the US has supplied.

"No other country has the means or the political will to substitute for the United States in Haiti," economist Charles Clermont said.

Senate opposition to Kuwait arms sales

SEVERAL senators yesterday attacked a proposed $1.9bn US weapons sale to Kuwait that includes advanced fighter aircraft and an array of bombs and air-to-ground missiles, AP reports from Washington.

It is "inconceivable" that the White House would contemplate such a large sale to a country so small and which has been on less than friendly terms with the US until recently, Democratic Senator Dennis DeConcini told Secretary of State George Shultz at a hearing before a foreign operations appropriations subcommittee.

Mr DeConcini also said he feared that the sale would make some of the most advanced weapons in the US arsenal accessible to the Soviet Union.

Democratic Senator Frank Lautenberg said he was concerned that the F-A-18 fighter-bomber, the most sophisticated aircraft of its type in the US arsenal, could be outfitted with larger fuel tanks that could render it capable of attacking Israel, a close ally of the US.

Mr Shultz defended the proposed sale, saying it represented "a political breakthrough" for the Kuwaitis to tie themselves to American technology and to take responsibility for their own defence. He said Kuwait was vulnerable to attack from Iran, and that the weapons would not have the range to reach Israel.

Mr Shultz said the sale agreement would have adequate controls to prevent access to the weapons by the Soviets.

"In our judgment, this is a positive development," Mr Shultz said. "The mission is if there is an attack by ground or sea from Iran, they can do something to counter that."

President Ronald Reagan's Administration has informally notified Congress that it intends to make the sale, including 40 F-A-18 fighters, 40 harpoon missiles, 120 heat-seeking Sidewinder and 200 radar-guided Sparrow air-to-air missiles, 300 air-to-ground Mavericks, 200 cluster bombs and 400 laser-guided bombs.

Following a 20-day informal notification period, the administration will submit a formal notification to Congress of the sale and lawmakers will have 30 days to pass a joint resolution disapproving the transaction.

If the sale goes through, it would be the first time F-A-18s were sold to a country outside a formal US alliance. So far only Australia, Canada and Spain - all formal US allies - have been permitted to buy the aircraft.

Chileans urged to vote 'No'

CHILE's Communist Party has called for a 'No' vote in the forthcoming presidential plebiscite, as part of a "multi-faceted struggle" against General Augusto Pinochet's regime, Mary Helen Spooner writes from Santiago.

It said a negative vote campaign would help unify Chile's opposition.

In a separate move, 16 opposition parties, from socialists to moderate right wingers, accused the Pinochet regime of using government funds in its plebiscite campaign.

Managua raises petrol price

THE NICARAGUAN Government has nearly doubled the price of petrol in the wake of a big devaluation of the córdoba, AP reports from Managua.

The state-owned petrol company announced the new prices shortly after the devaluation on Wednesday. Earlier in the week, President Daniel Ortega had said the Government was ending its control of prices and wages. One US dollar is now officially worth 80 córdobas. Before the devaluation it was worth 13.

Big rise in Peruvian interest rates

BY BARBARA DURR IN LIMA

THE PERUVIAN Government has taken *a long-awaited step* to raise interest rates substantially. The annual rate for savings deposits shot up to 103.18 per cent from 42.58 per cent.

The move had long been called for by the business community, economists critical of the Government's programme and the World Bank.

In an announcement late on *Wednesday, the central bank said* it was increasing interest rates to encourage savings by businesses and individuals, and "to avoid circulation of money outside the financial system".

Peru's galloping inflation had left savings rates, as well as borrowing rates, negative. To avoid losing against an inflation rate that many predict will exceed 300 per cent this year, savers have been changing their money into dollars on the parallel market. Accumulated inflation from January through May this year ran to 87.8 per cent. Hence much of Peru's money circulation has evaded the authority of the central bank.

Time deposits, ranging from 31 days to more than 720 days, will now earn between 110.53 per cent and 139.91 per cent. Borrowing rates for loans of less than a year have increased to 120 per cent *from 55 per cent, for loans of 719* days to 130 per cent from 65 per cent, and for loans of more than 720 days to 140 per cent from 75 per cent.

Dukakis heads South dogged by budget row

BY STEWART FLEMING IN WASHINGTON

GOVERNOR Michael Dukakis, the likely Democratic candidate for President, left Boston yesterday for a week-long campaign swing through southern states where he must refute Republican charges that he is just another tax-and-spend Massachusetts liberal. He left behind him a growing controversy over his state's budget which is building up into a test of one of the foundations *upon which* he has built his presidential candidacy: managerial competence.

Both the New York Times and the Wall Street Journal yesterday ran lengthy analyses of the $600m state budget deficit, around $400m for the current fiscal year and $200m for the fiscal year which begins on July 1.

Reports about the Massachusetts budget deficit have been circulating for several weeks but it is now attracting increasing attention, to the delight of supporters of Vice President George Bush, the likely Republican presidential candidate, whose supporters are gleefully fanning the flames. Massachusetts is not alone in having run into fiscal problems, neighbouring New York has too,in part for similar reasons, a collapse in revenue from capital gains taxes.

Beech-Nut executives face jail for consumer fraud

TWO FORMER top executives of the Beech-Nut Nutritional Corp. were sentenced yesterday each to a year and a day in jail and fined $100,000 for distributing phony apple juice for babies, AP reports from New York.

"The fraud was too extensive and involved not to be punished," said US District Judge Thomas Platt sentencing Mr Neils Hoyvald, 54, the former president and chief executive officer of the company. Judge Platt imposed the same sentence on Mr Hoyvald's co-defendant, Mr John Lavery, 56, a former vice president of Beech-Nut.

Beech-Nut, based in Fort Washington, Pennsylvania, is a subsidiary of Nestlé SA of Switzerland.

Assistant US Attorney Thomas Roche called the case "one of the largest consumer frauds prosecuted by the Justice Department."

Judge Platt also ordered both to pay court costs as well as a special assessment of $50 for each of the hundreds of counts on which they were convicted.

The two executives, along with Beech-Nut and two suppliers, were indicted in November 1986 on charges that they intentionally shipped adulterated and misbranded juice to 20 states, Puerto Rico, the Virgin Islands, Saudi Arabia, Japan, the Bahamas, Dominican Republic and Taiwan

OVERSEAS NEWS

Saudi relief as Tehran shuns Haj pilgrimage

By Finn Barre in Riyadh

SAUDI OFFICIALS were yesterday breathing a sigh of relief over an apparent climbdown by Iran over sending its pilgrims to the annual *Moslem Haj to Mecca* this July.

Iran's announcement this week that no Iranian pilgrims would go on the Haj will significantly reduce the Saudi authorities' problems in policing the pilgrimage, in which Iranian demonstrations last year led to riots in which more than 400 people died.

Until this week, Iran has *insisted on sending 160,000 pil*grims to this year's Haj, which lasts from July 23 to July 27. The kingdom, seeking to avoid a re-run of last year's incident, set quotas that limited the Iranian contingent to 43,000.

Iran said that it would either send all 160,000 or none at all. The dispute, coupled with a series of evidently related bomb attacks against Saudi industrial installations earlier this year, caused Riyadh to break diplomatic *relations with Tehran on* April 26.

Although the Saudis are relieved to be without a large unruly contingent of Iranians, there are other problems.

The Iranians are still calling on other Moslems visiting Mecca to stage political demonstrations against "enemies of Islam" and have charged the Saudis with heresy for barring Iranian Moslems from the pilgrimage.

One Iranian religious leader this week went as far as calling the *Saudi leaders "atheists,"* and said: "Iranian pilgrims value the importance of protesting against infidels in Mecca and Medina."

The Saudis are also stepping up their security measures in an effort to prevent Iranians, or their agents, from setting off any bombs in the holy places during the Haj.

Any terrorist incident would underline Iran's claim that the kingdom cannot provide a secure Haj.

● NORTH and South Yemen are to set up a joint venture to invest in oil exploration and development, the North Yemeni news agency Saba said, Reuter reports from Sanaa.

The *new company* will carry out exploration and development in areas between two existing fields.

Peking posters point finger of protest at the Party

Robert Thomson *reports that students have resorted to an ancient medium to declare their anger*

THE WALLS are talking in the Chinese capital. Each evening, with torch and tape recorder in hand, Peking University students read the multi-coloured protest posters plastered around their campus and record the messages of a medium that has its origins in imperial edicts.

Some are *da-zi-bao*, the big character posters made famous during the cultural revolution two decades ago, others are long and verbose thoughts on party policy or denunciations of leaders written in small script on the torn-out pages of an exercise book.

The return of the protest poster is unnerving for a Commu*nist Party already aware that its* once popular reform programme is losing the support of the *lao-bai-xing* – literally, the "old 100 names," the common people. And the leadership cannot forget that the last poster campaign in late 1986 was *a part of student* unrest that led to the fall of the party general-secretary, Hu Yaobang.

Big character posters, used by communist revolutionaries during the civil war and by aggrieved peasants petitioning officials, were given a bad name during the Cultural Revolution. Posters were part of the purge process and the then leader, Mao Zedong, during a politburo meet*ing, unfurled a poster urging his* gathered comrades to "bomb the headquarters". The problem was that they were sitting in the headquarters at the time.

As students are using posters now because they are frustrated by the official media, so an irate Mao encouraged their use to air radical views that newspapers, then under the control of another faction, were reluctant to publish. Later, the People's Daily explained that the "revolutionary *big-character poster is a mirror* to expose all kinds of ogres".

While university students are not concerned with "ogres" of the ideological kind, they have been keen to expose corruption in high places and nepotism. Posters *have attacked Deng Pufang, the* disabled son of Deng Xiaoping, for the privileges he enjoys, and mocked Deng Lin, the Chinese leader's daughter, for the high prices her traditional style paintings fetch.

Another poster asked readers to name which one of two listed Communist Party leaders had a US bank account. The question was one of 26 and respondents *who answered a majority* correctly were told that they would "win a prize" – a pair of handcuffs and a free trip to Lop Nur, a nuclear test site in Xinjiang, a far western province.

Students study wall posters in Peking

*In an attack with a blunt ques*tion, the same poster asked students to explain why "peasants in the south call low grade fertiliser sold to them by the state 'Deng Xiaoping fertiliser'." The boldness and crassness of the personal insults is unusual: last time round, the students were devoted to loftier themes of freedom and democracy.

Still, messages have generally focused on the lack of democracy in the National People's Congress, the Chinese parliament, and in particular, the appoint*ment of senior officials: "If the secret ballots* were real, how could Li Peng have become premier?"

Posters have reflected the growing awareness that, as reform progresses, the gap between those thriving and struggling is fast widening. A poster co-signed by the wife of China's *most prominent dissident, Fang* Lizhi, complained about the breakdown of personal relationships because of the "commercialisation" of society.

To begin with, the motivation for the campaign was the mur*der, just over a week ago, of a* Peking university student, and the first batch of posters included *numerous eulogies and demands* for tighter security on campus. The students, too, occasionally take a relaxed view of the rule of law, as one demanded that the *defendants* be tried on campus.

But most want the legal system to be "perfected" and the party to be accountable: "Deng says, 'Chinese should be fearful and think of their status', I think the party and government should be fearful and consider their status."

Deng is blamed for the crushing of the democracy wall movement in early 1979, when posters covered a wall not far from the centre of Peking. The area is now dominated by billboards advertising consumer goods.

Last week, the students planned to sit in for democracy at Tiananmen Square, but on the eve of the protest a fresh batch of *posters, using the language of* party documents, warned against "extreme" action. These posters were reported in the official press.

"The task of university students entrusted by history is no *longer to raise these empty slo*gans but to study earnestly China's actual conditions and the way to build the country's democratic politics under such conditions."

That message was said to have been *written* by a law *student*, but had the ring of a resolution passed by the National People's Congress. And the party could not complain about these sentiments: "The hopes of China lie in reform, which cannot do without *the Chinese Communist Party.*"

The students, whose sit-in plans *last* week were partly thwarted by a cordon of police around Tiananmen, have *returned to the campus* and to nightly debates on life in the new China and to their posters. But, as soon as the protest leaves the university grounds, the party faces a challenge to its authority, a challenge that the leadership has admitted in its *regular* poster, the People's Daily, presents a serious threat "during this critical period" of reform.

Dalai's plan for Tibet rejected

By Robert Thomson in Peking

CHINA HAS rejected a proposal by the Dalai Lama, the exiled *Tibetan leader, for Tibet to be* made a self-governing entity with the Chinese Government handling foreign policy and keeping troops in the region.

A Chinese Foreign Ministry spokesman, asked to comment on the proposals made in a speech in Strasbourg on Wednesday, said "*China* is opposed to foreign organisations and individuals which provide support of any kind to the Dalai Lama's activities aimed at undermining China's territorial integrity."

China has previously dismissed calls for a "one country, two systems" formula similar to that designed for Hong Kong, and it is clear that the Government has no *intention of allowing the Dalai to* set the agenda for Tibet policy.

The Dalai, who fled Tibet after a failed uprising in 1959, has been invited to return to China, and been told this year that he could live in Lhasa, the Tibetan capital, but Peking does not consider that he has the right to make counter proposals.

China regards the speech as a *continuing* part of the Dalai's "splittist activities", which have allegedly included inciting pro-independence riots in Lhasa.

Leisure investment boom plays its part in Japan's growth surge

BY PETER MONTAGNON IN TOKYO

THE SURGE in Japan's economic growth rate paradoxically owes something to the fact that the Japanese are at last learning to take more leisure, according to Mr Takeshi Ohta, deputy governor of the Bank of Japan.

Among the contributing factors to the 11.3 per cent increase in annualised economic growth during the first quarter of this year was a sharp rise in capital spend*ing by the services sector which* is building more hotels and other leisure facilities.

The idea of Japan sitting back while economic output races almost effortlessly higher is, of course, a serious distortion of a complicated story. Yet it does convey something of the atmosphere there as the economy scales dizzy heights that would have been dismissed as fantasy a year ago when Japan was reeling under the effect of the rising Yen.

A JAPANESE supermarket operator, Ito-Yokado, has suspended sales of South African products because of that country's racial policies, a company official said yesterday, AP reports from Tokyo.

Sales of South African canned yellow peaches and canned fruit cocktail were *stopped at the company's 133 shops across* the country in April.

The decision was made at a company meeting in March. The products have been replaced with similar items from the US.

Japan faces rising criticism over trade with South Africa. Last year, Japan became South Africa's largest trading partner, at *$4.27bn*, surpassing West Germany and the US.

The growth figures released yesterday mean that the Japanese economy grew by 4.9 per cent in the fiscal year to end *March, way above the Govern*ment's initial expectation of 4.1 per cent. The annualised growth during the January-March quarter had been expected by many economists to top 10 per cent, but hardly to come out as high as the 11.3 per cent announced by the Economic Planning Agency.

Mr Kiichi Miyazawa, Finance Minister, was quick to seize on the news as evidence that the Japanese economy is responding to government efforts to stimulate domestic demand at the expense of exports.

To some extent the surge in the growth rate is evidence that *the Y6,000bn (£26bn) emergency* reflation package announced last year, which was for once implemented assiduously by the Government, is showing results. Yet the way personal consumption has continued to grow this year has surprised many economists.

The general expectation had been that both housing starts and personal consumption, which were the springboards for growth in the latter part of last year, would slow down in 1988. In the event the housing sector has flattened out, but personal consumption has continued to rise apace.

Ms Elisabeth Saccente, senior economist at Citicorp Scrimgeour Vickers, believes that one factor behind this is that consumption growth is spreading down through lower income groups rather than being confined to high income households which benefited most from tax cuts last year.

"At the moment spending is heavily *biased towards durable* goods, the prices of which are still weakening," she says. The new-found availability of low-priced imports from other Asian countries may *have helped in* this regard.

To this has been added a fresh upturn in capital investment. Earlier this month the Bank of Japan estimated that capital investment by private sector companies would rise by 18.6 per cent in the current fiscal year.

The announcement yesterday of an 11.3 per cent annualised growth rate reflects simply the multiplication by four of one *quarter's figures, an arithmetic* process which can easily distort the actual trend *spread out over* the space of a whole year.

which the current quarter will be compared were boosted last year by front-loading of government spending, a policy which is not *being repeated in 1988*.

Beyond that comes fear of a resurgence of inflation if the economy begins to overheat. At the moment consumer price rises are almost non-existent, but, according to Mr Junichi Nishiwaki, chief economist of Mitsubishi Bank, they are being held in check only by the high level of the Yen while the key M2 money supply indicator is growing at about 11.3 per cent.

This could force the Bank of Japan to tighten monetary policy later in the year, a potentially delicate exercise if it is accompanied by a renewed period of dollar weakness. The bank itself is aware of inflationary danger in the future, but sees none at present, according to Mr Ohta.

World Bank change urged

MORE THAN 800 parliamentarians and legislators from most of the leading industrialised countries have called for three big changes *in the World Bank's poli*cies towards the world's poorest states, Michael Holman reports.

The call, which includes measures to ease these states' external debt burden and to alleviate the impact of structural adjustment policies on the poor, comes *in a letter* to Mr Barber Conable, President of the Bank.

It is signed by more than half the British House of Commons including more than half all Conservative back-bench MPs. In the US it has been supported by 230 members of Congress.

It also urges the bank to apply social indicators such as child mortality, life expectancy, and access to safe water, as well as economic indicators, when measuring progress in development.

WORLD TRADE NEWS

Tim Coone on a complex trading pattern since the Falklands War

Argentine-UK traders take to tango

THE TANGO is one of the most complicated dances to master – a combination of quick and slow steps, followed by twists, twirls and dramatic pauses, all carried out to the constantly changing rhythm of a pair of passionately counterpoised accordions.

The same could be said of the pattern of trade between the UK and Argentina since the 1982 war over the Falkland Islands. In this case the accompanying music is played by the two governments – one lightly skipping over the issue of sovereignty, the other slamming in the dramatic pauses on trade: the dancers – the businessmen – twist and twirl and do their best to adapt their corporate tactics to the vicissitudes of the stop-go diplomatic shuffle.

The visit to Uruguay last month of Mr Timothy Eggar, the British under-secretary on Latin American affairs at the Foreign Office, emphasised the hiatus in the music score. Mr Eggar made yet another appeal for Argentina to lift its trade restrictions on imports from the UK as the way forward to improve relations: he was told by his Uruguayan counterpart that Argentina continues to insist on the islands' sovereignty issue being discussed as the quid pro quo for the lifting of trade sanctions.

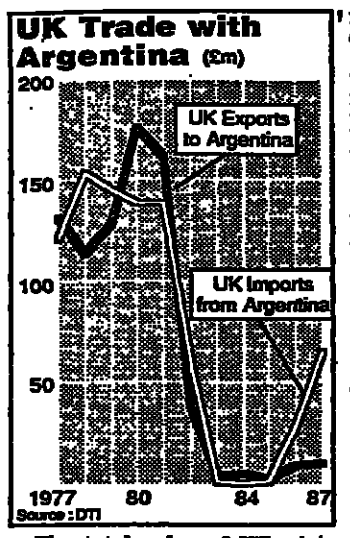
Officially there are no sanctions, but Argentine importers have first to request permits from their trade secretariat and the central bank – where the requests lie unanswered if the origin of the goods is stated as being in the UK.

So how is it that Scotch whisky still fills the shelves of Buenos Aires bars, Rolls-Royce engines still power the jet aircraft of the recently privatised Austral airline and carpentry tools bearing the name of a certain well-known port in the Falkland Islands can still be bought in hardware stores?

The answer: triangulation. The third partner to this particular tango are the subsidiary businesses or trading associates in Europe, Brazil, Uruguay or the US through which goods pass and have their certificate of origin changed. They then slip through the trade secretariat's computer in Buenos Aires like a perfectly executed *arpeggio*.

Mr Philip Raikes, the local representative of the Argentine-British Chamber of Commerce, estimates that on average this puts up the cost of UK products by some 28-30 per cent in the Argentine market – a formidable but not insurmountable trade barrier if the product is right.

The UK lifted its trade sanctions with Argentina in 1985, resulting in a sharp upturn in imports from Argentina, although they have still not recovered to pre-war levels. Latest figures from the Argentine-British Chamber of Commerce show that Argentine exports more than doubled to some $110m (£61m) in 1987, compared with $50m in 1986.



The total value of UK-origin imports is less than $20m a year. By comparison, pre-war levels of bilateral trade were in the region of $300m a year with a slight surplus in Argentina's favour.

The main product inching its way back into the British market is, not surprisingly, corned beef and other tinned meats of which 13,700m tonnes were exported last year. Before the war the UK was Argentina's biggest single market for beef and beef products. In 1981, 84,000m tonnes were exported, showing that despite the lifting of sanctions by the UK, Argentine producers have none the less lost ground to other competitors.

Even this modest upturn in trade, however, has been enough for one British shipping consortium to offer a container service between Buenos Aires and Tilbury, by sharing shipping slots with some European partners.

Sanctions preventing British vessels calling at Argentine ports are thus neatly side-stepped, by having a French or German vessel carry the cargo while the British consortium carries some of their cargoes from Uruguay or Brazil to Europe.

Pragmatism also succeeded in jumping the political barriers in a joint ticketing arrangement that British Airways negotiated with the Argentine state carrier Aerolineas Argentinas last year. There are still no direct flights but the agreement enables travellers between the two countries to catch quick connecting flights through Rio de Janeiro or Madrid and transfer between one airline and the other on the same ticket.

Meanwhile, triangulation will continue to provide the way for Argentinians to indulge their desires for the forbidden fruits of the Reviled Empire. Tussles over squid or military manoeuvres notwithstanding, there is little likelihood that the Government has plans to interfere with the roundabout trade – after all, an Argentine Navy cocktail party without Scotch would be like a modern naval war without Exocets – unthinkable.

Airbus sales cleared by Cocom

AIRBUS Industrie, the European aircraft consortium, has received the go-ahead to sell its airliners to Eastern bloc countries, Western diplomats said yesterday, Reuter reports from Paris.

The decision clears the way for the first sales of Western high-technology planes to the East.

The sources said Airbus's main rival, Boeing, was still awaiting clearance from Cocom, the Western watch-dog on high-technology exports to communist countries.

Cocom has decided that Airbus would be allowed to sell three of its A-310 medium-haul jets to East Germany's Interflug airline, provided they were serviced in the West.

However, the sale of Boeing's 767 airliners to Poland and Romania is unlikely to be blocked following the Airbus decision and would, according to Western diplomats, probably be cleared in a couple of weeks.

Both Airbus and Boeing had to obtain Cocom clearance because the airliners have highly-sophisticated avionics which could be used in military aircraft. The sources said Lufthansa, the West German airline, would service Interflug's new Airbuses to avoid the risk of the technology being used for military ends.

France fails to block US soya bean claim in Gatt

BY WILLIAM DULLFORCE IN GENEVA

THE COUNCIL of the General Agreement on Tariffs and Trade yesterday agreed to set up a disputes panel to hear a US complaint against the European Community's soya bean subsidies, despite an unprecedented attempt by France to block the decision.

US insistence on taking the dispute to Gatt has become a sensitive political issue. The EC had warned that the US action, which it sees as aggressive, could paralyse crucial negotiations on the reform of agricultural trade.

However, 11 of the 12 EC countries this week agreed to let the investigation go ahead, and Tran Van Thinh, head of the EC delegation, told the council that the community would accept a panel.

Mr Jean-Francois Boittin, head of the French delegation, promptly stated that France could not allow a panel to be established. By tradition, decisions in the council are taken by consensus.

After a lively debate, in which several countries queried the validity of commitments made by the EC Commission on behalf of the 12 community members, the French objection was overruled.

Mr Arthur Dunkel, Gatt's director-general, said that under long established practice the representative of the EC Commission had the authority to commit the community to a council decision.

Nevertheless, the incident sparked off speculation that the EC Commission might have to ask the European Court to confirm its authority to act for the 12 in trade matters.

Prompted by a petition filed under Section 301 of the Trade Act by the American Soybean Association (ASA), the US charges that the EC's long-standing regime of subsidising oilseed producers and processors has severely damaged US trade.

ASA claims that annual sales of US soya bean and soya bean meal to the EC fell from $3.7bn five years ago, to $2bn (£1.1bn) last year. The EC retorts that its overall imports of oilseed cake and meal have remained steady at around 26m tonnes a year since 1982, and that US exporters have been losing sales to competitors from other countries, such as Argentina and Brazil.

However, its most profoundly held objection is that the US is misusing the Gatt dispute settlement mechanism by bringing to it a conflict which would properly be handled in the negotiations on trade reform.

The dispute reflected differences between the EC and the US approaches to agriculture, Tran Van Thinh said yesterday. Farm intervention costs had been roughly Ecu79bn (£52bn) a year for each in the 1984-86 period. But whereas in the US the equivalent of Ecu59bn had been paid directly to farmers, and Ecu20bn had been borne by consumers, in the EC only Ecu29bn had gone to farmers and Ecu50bn had been paid by consumers.

The community agreed to a Gatt panel on the soya issue, to demonstrate the importance it attached to the Gatt dispute settlement system, Tran Van Thinh said. But, he warned, whichever way the panel decided, its ruling could be damaging to the farm trade talks. Brussels is understood to have told Washington privately that it would make sure the Gatt panel did not report before the mid-term review of the Uruguay Round negotiations by trade ministers at Montreal in December.

The EC will also push ahead with its "tit-for-tat" charge that US import restrictions on sugar, dairy and other farm products, imposed under a 1955 "waver" from Gatt, in effect violate Gatt rules. Lyng attacks EC, page 30

The US yesterday complained to the council of the General Agreement on Tariffs and Trade about Tokyo's delay in implementing a Gatt ruling from last November that Japan should liberalise its import regime for 10 farm products and enlarge quotas for two others, William Dullforce reports from Geneva.

The US said as a result it would soon request multilateral consultations under Gatt to discuss exactly what Japan planned to do to bring its practices into conformity with the panel report.

Canada close to C$11bn French deals

BY DAVID OWEN IN TORONTO

CANADA appears poised to strike three big deals with French-based companies involving passenger aircraft and nuclear-propelled submarines. Together, the transactions will be worth close to C$11bn (£5bn).

The biggest share of this total will be a contract to supply Canada with a design for 10 or 12 nuclear-propelled submarines, costing about $8bn. The contest has pitted the French Amethyste-class vessel against the larger Trafalgar-class submarine made by Britain's Vickers Shipbuilding and Engineering (VSEL).

France is widely believed to be close to clinching this order, according to those close to the contest. The Canadian Department of National Defence will soon release its recommendation to the Government. Confirmation of which vessel the Canadians have chosen will follow soon after.

VSEL, which started out as favourite to win the submarine contract, yesterday described reports of an imminent verdict in favour of the French boat as "pure speculation". As far as it knew, the evaluation process was still going on. "It's all still to play for," it said.

Meanwhile, Air Canada, the state-owned airline, is on the verge of placing a US$1bn order for passenger aircraft to replace its ageing fleet of 34 Boeing 727s. Airbus Industrie's A-320 passenger jet is widely expected to emerge as the successful bidder. The airline is soon to be partly privatised to help fund the purchase.

In addition, Montreal-based Canadair has reached an agreement in principle to supply fuselage components over 15 years to Aerospatiale, the Airbus partner. The parts would be used in the medium-range A-330 aircraft and the four-engined A-340. At about C$1.5bn, the deal will be Canadair's largest sub-contract.

The fact that the Government has a hand in all three transactions – Canadair is awaiting a reply to its request for government assistance to help defray some of its contract-related costs – raises the prospect that the successful bidders will be announced at the most politically expedient moment after the submarine selection process has been completed, and in rapid succession.

The long-running Franco-Canadian dispute over fishing rights off St-Pierre-Miquelon has only recently taken a turn for the better after France recalled its ambassador to Canada in April. Canadian sensibilities on this subject remain rather delicate, in particular in heavily fish-dependent Newfoundland. Further progress in the dispute may thus be deemed politically desirable before an official announcement of the contract awards is made.

The Mulroney administration will also be anxious to minimise the impact on relations with Britain and the US of any decision to go with the Amethyste submarine.

Mrs Thatcher is scheduled to make a post-summit address to the Canadian Parliament in Ottawa on Wednesday.

W Europe 'likely to lose out' in chemicals growth

BY PETER MARSH

WEST European chemicals companies are likely to be the losers in an investment surge in the international chemicals business that could see £50bn spent on plant over the next seven years.

That is the assessment of Mr Jack DeWitt, a leading industry analyst, who is chairman of DeWitt & Company, a Houston-based consultancy.

Mr DeWitt said he envisaged steady growth in demand for chemicals products such as bulk plastics, with no slump in the industry before the mid-1990s.

US and Japanese companies would be in the vanguard of the investment surge, said Mr DeWitt, with European concerns likely to be less enthusiastic about new construction plans.

Mr DeWitt said European companies such as Imperial Chemical Industries of Britain and Hoechst, BASF and Bayer of West Germany were being too cautious. As a result, other regions of the world were more likely to gain from the 1.5m jobs which Mr DeWitt expects the investment boom to create.

Mr DeWitt criticised European chemicals companies for focusing more on relatively low-volume speciality products rather than commodity polymers.

The comments by Mr DeWitt, who has a reputation for being bullish about the chemicals industry, are likely to cause controversy in the European business.

Since the recession of the early 1980s, European chemicals concerns have cut production but increased profitability by concentrating on relatively high-value parts of the chemicals business. Such areas have included engineering plastics and high-technology grades of basic polymers.

Although most of the big companies have by no means abandoned manufacturing of commodity products, they have been cautious about announcing plans for big new plants.

UK-Israel trade reversal

BRITAIN'S exports to Israel declined significantly in the first quarter of this year and its imports rose, pushing the overall trade balance into Israel's favour for the first time, writes Andrew Whitley in Jerusalem.

The strength of sterling against the US dollar and the Israeli shekel over the past year appears to be the reason for the reversal.

Preliminary figures show exports to what used to be the UK's second largest market in the Middle East fell by 14 per cent between January and March, from £133.6m to £114.9m.

The value of Israeli goods imported by the UK rose by 9.5 per cent in sterling terms, compared with the first quarter of 1987 to more than £127m.

OVERSEAS NEWS

Zia to enforce Islamic law on financial sector

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN is to enforce Islamic law on the domestic financial services industry. Foreign business and credit dealings will remain unaffected.

President Zia ul-Haq announced the law as part of his promise to speed up Islamisation of society and the economy. He made the pledge while dismissing civilian Prime Minister Mohammed Khan Junejo, the 33-man cabinet and 237-member national assembly, whom he charged had not introduced Islamic law rapidly enough.

The new law, called "enforcement of *Shariah* [Islamic law] ordinance" comes into effect immediately. Gen Zia explained its key points on a nationwide radio and television address.

The law empowers superior courts to strike down any non-Islamic law. An individual can also file a suit for a similar action. The courts will have to pass judgment on whether a law is Islamic or not within 60 days in order to speed up the process.

A commission will examine all aspects of the domestic economy, including fiscal laws, banking and insurance, to bring them in conformity with Islamic teachings. It will also suggest alternatives to present western-style business and economic practices.

The new law, however, guarantees that the international financial obligations, loans and credits, incurred or which may be incurred, and all contracts "shall continue to remain valid, binding and operative" on the government, businesses and individuals in Pakistan.

The Government will also honour its domestic obligations and financial commitments. It will continue to repay the domestic loans, and deposits in Government savings schemes under previously agree terms.

The new law will curb speculation about state obligations regarding deposits in savings schemes on which "profit" is paid. Profit was previously called interest. Payment and receipt of Western-type banks interest is forbidden under Islam.

The commercial banks already operate on the basis of profit rather than interest under an Islamisation programme which began for the banks seven years ago. All foreign banks operate similarly.

The savings schemes, in which 91.4bn Pakistan rupees ($5.2bn) were deposited in the year to June 30, 1987 are a major source of domestic borrowing for the Government.

The Pakistan Government's total domestic borrowing. (including savings schemes), was 243bn Pakistan rupees in the year to June 30, 1987 and has risen since 318bn Pakistan rupees.

The Government's foreign loans and credits rose from 206.8bn Pakistan rupees to 238.95bn Pakistan rupees.

HK takes tough line on 78 boat people

BY KEVIN HAMLIN IN HONG KONG

A BATCH of 78 Vietnamese boat people arrived in Hong Kong yesterday to learn they would be detained as illegal immigrants in prison-like conditions unless they can prove they faced persecution in their homeland.

Hong Kong's decade-old policy of automatically offering refugee status to boat people was abandoned at midnight on Wednesday.

Yesterday's Vietnamese arrivals, picked up in two rickety boats, are being detained on the territory's Green Island reception centre, pending their ultimate repatriation to Vietnam unless they qualify as refugees under the United Nations High Commission for Refugees definition - which is anyone who faces persecution on political, racial or religious grounds.

The new arrivals will shortly be interviewed by senior immigration officials, who will determine whether they are economic opportunists looking for a better life or genuine refugees.

As the boat people invariably carry no documentation, the process of establishing the veracity of their stories is fraught with difficulty. But the onus is on the arrival to prove he is a refugee.

Questioned by local reporters yesterday, a newly arrived fisherman from central Vietnam said he was unquestionably a refugee as he had fled the army. He claimed he would be thrown in jail if returned to Vietnam.

Mr Alan Carter, Director of Immigration, acknowledged there would be grey areas, but said immigration staff had the expertise to do the job. The UNHCR can observe the procedure, and the boat people have a right of appeal to the territory's Governor.

Asked if some boat people would be given the benefit of the doubt, Mr Geoffrey Barnes, Secretary for Security, said: "I think the Hong Kong public would say that the benefit of the doubt means somebody is an illegal immigrant unless he can prove that he isn't."

Hong Kong's new hard-line policy resulted from a massive influx of boat people this year, and a sharp reduction in those resettled in third countries.

There is no prospect of a repatriation programme to Vietnam until 1990 at the earliest, which means boat people now arriving in the territory face years of detention with no prospect of resettlement in the west, triggering a squall of criticism from human rights groups.

Sri Lankan parties urge probe into poll 'abuses'

BY MERVYN DE SILVA IN COLOMBO

LEADERS of seven Sri Lankan opposition parties have demanded "an international commission" to monitor future elections and urged the immediate appointment of a committee of inquiry, acceptable to the opposition, to report on "abuses and malpractices" at the recently concluded provincial council polls.

The signatories include Mr Anura Bandaranaike, the opposition leader, who has signed the appeal on behalf of former Prime Minister Mrs Bandaranaike, president of the SLFP, the main rival to the ruling UNP.

The Tamil congress, the newly formed Sri Lanka Moslem Congress (SLMC) - which won several seats in Moslem-dominated districts - and the Liberal party, which is affiliated to the Liberal International, have also joined forces to accuse UNP candidates and their supporters of "mass intimidation and thuggery."

The appeal follows an unprecedented press statement by the elections commissioner that there were attempts not only to disrupt the polls, a clear reference to the terror campaign of the extremist JVP, but also to rig the elections. The UNP won all seven elections, although it suffered a setback in the JVP-dominated south where the turnout was 27 per cent, an all-time low.

President Jayawardene responded to an earlier protest by two other opposition parties and ordered a police inquiry into the allegations. The UNP party executive will decide next week whether Mr Jayawardene should seek a third term.

Victor Mallet, in Addis Ababa, reports on a pace of agricultural reform that has surprised aid donors

Ethiopia begins to mix Marx and markets

"WE DON'T mind making up for acts of God," says a disgruntled Western diplomat in the Ethiopian capital, Addis Ababa, "but acts of Mengistu are something else."

Such is the heart of the dilemma facing the foreign donors – from West and East – who feed millions of hungry Ethiopians each year. Droughts and insect plagues are one thing, but the failed collectivist farming policies so vigorously pursued in the past by President Mengistu Haile Mariam are quite another.

In common with other African countries, Ethiopia, despite periodic droughts, serious soil erosion and war, has great and unrealised agricultural potential.

Even in a year of normal rain it has a shortfall of some 700,000 tonnes of grain which could rise to a daunting 2m tonnes by the time the population grows to a projected 50m by 1990. Now, after more than five years of tough talks with donors, the Marxist-Leninist Ethiopian Government has made its first hesitant steps on the road to agricultural reform.

It has moved since December with quiet caution rather than public enthusiasm. It remains to be seen if the reforms will advance far enough to trigger the release of all of the $700m in development aid waiting in the pipeline from the European Community, the World Bank and other donors. Official grain prices are being increased, but only by 9 per cent, and grain trade is being liberalised. Peasant farmers, instead of being forced to hand over a large fixed quota of grain to the state Agricultural Marketing Corporation for a fixed price, should now be able to negotiate the quota downwards and sell their surpluses on the free market.

Restrictions on the licensing of private traders and the movement of grain from one area to another are already being eased, with hundreds of new licences issued and roadblocks removed in the grain surplus areas of central Ethiopia.

As reforms are implemented, the donors hope to fund the development of peasant agriculture, providing training, fertiliser and other inputs. Even the Soviets, Western diplomats say, have now begged Ethiopia to try a little agricultural perestroika and forget about state farms.

Ethiopian agriculture is 90 per cent run by small farmers

Despite official ideology, 90 per cent of Ethiopian agriculture is still the work of small farmers. Only about 10 per cent, in the form of inefficient state farms and co-operatives, can be described as collective. Yet the collective sector receives a disproportionate 60 per cent of the agriculture budget.

Mr Benno Haffner, the European Community delegate in Addis Ababa, is optimistic about the reforms although he regards the increase in the price of grain as too small. "This in itself is not enough," he says, "but the most important thing is the opening of the market."

He compares Ethiopia to other African countries which trumpet reforms without putting them into practice. Within months of their announcement, new policies were being implemented in Shoa province around Addis Ababa. "That was for us the biggest astonishment that we have ever experienced in Africa," said Mr Haffner.

Other donors are more sceptical about the Government's intentions. Even if the EC achieves its aim of helping to produce an extra 150,000 tonnes of grain a year in Shoa, such progress might only slow the growth of the food deficit. Agriculture is undoubtedly an appropriate target for foreign aid in Ethiopia. It accounts for more than 40 per cent of gross domestic product, about 85 per cent of exports and employment.

Ethiopian farming methods are also notoriously backward, minimising yields and allowing the erosion of an estimated 1.9bn tonnes of soil from the densely populated highlands each year. Only about 2 per cent of peasants use improved seed and perhaps 7 per cent use fertiliser.

Although released from the feudal bondage they endured in the imperial era before the 1974 revolution, peasants still have no strict security of tenure.

Instead they farm on nationalised land and are liable to be resettled or "villagised" (moved from scattered homesteads into central villages) in callously-executed, if well-intentioned Government operations.

It was villagisation and the failures caused by the rigidity of Ethiopian farm policy that drove Sweden – after many years, millions of dollars and initial success in producing surpluses – out of its project in Arsi province south of Addis Ababa. Ethiopia can little afford any more agricultural failures.

EC tackles relief for war-torn Eritrea

EMERGENCY relief operations in war-torn northern Ethiopia are expected to dominate talks between government officials and Mr Lorenzo Natali, European Community Vice-President, AP reports from Addis Ababa.

Mr Natali, who arrived in Addis Ababa yesterday, is also expected to discuss long-term aid - held up until recently because of government agricultural policies, which many argue are more responsible than droughts for the nation's growing food deficit.

Mr Natali is to visit Asmara and Mekelle in the northernmost provinces of Eritrea and Tigre today. The Government is controlling access to the two provinces where rebels have won major victories.

The EC, one of Ethiopia's biggest donors, last month threatened to cut off food shipments because the Government did not grant travel permits for its officials to travel north to monitor relief distribution. The Government subsequently provided the permits.

The rebel advance and government reaction have crippled a massive Western-funded operation to save 3.2m drought victims in Eritrea and Tigre.

UK rejects draft European TV advertising rules

BY RAYMOND SNODDY

THE GOVERNMENT will not ratify a Council of Europe convention on broadcasting across national frontiers unless proposed rules limiting the interruption of programmes by commercials are changed.

The tough British line has emerged after agreement had been reached on the text of a draft convention by a steering committee of civil servants and governments from the 21 countries of the Council of Europe.

The text contains provisions specifying that:

● Cinema films shown on television should be interrupted by advertisements only once

● Other programmes on film such as drama and serials should be interrupted by advertising only if they are longer than 45 minutes, with an additional advertising break for every further complete 45 minutes

● News programmes of less than 30 minutes should not be interrupted by advertising.

Although the proposed convention is primarily intended to create a framework for satellite television across Europe, it will also apply to trans-frontier broadcasts by existing ground-based stations.

The British Government is concerned about the effect such provisions would have on satellite television channels, many of which originate from London. But such limitations on advertising could also cause enormous financial damage to the commercial television network. Because the programmes of virtually all the commercial companies can be received in at least part of another European country, they qualify as trans-frontier broadcasters potentially subject to the convention regulations.

The UK Government could enter a "reservation" to the advertising clause which would mean that it could ratify the convention without implementing those particular provisions.

This could mean bilateral negotiations between Britain and other Council of Europe member states, something that would negate the main purpose of a convention – free access for trans-frontier broadcasts across Europe.

The final text of the proposed convention is still subject to negotiation in advance of a conference of ministers scheduled for Stockholm.

Government oil royalties to be paid in cash

By Maurice Samuelson

THE GOVERNMENT is to stop accepting oil deliveries as payment for royalties on North Sea production, Mr Peter Morrison, Energy Minister, said yesterday.

The decision scraps one of the last vestiges of state involvement in North Sea oil markets which had been established by the Labour Government at a time of rapid build-up in North Sea construction and of international energy shortages.

The change, due to come into force next year, will coincide with the ending of government participation agreements empowering it to intervene in oil production in sudden energy shortages.

Since 1979, some three-quarters of North Sea royalties, currently worth about £550m a year, have been paid in oil, which the Government then had to dispose of on the oil market.

From next year all royalties (due on fields on stream since before 1982) will be collected in cash, Mr Morrison said yesterday.

The Government still has other emergency powers, including those in the 1976 Energy Act, to take rapid control of oil production in case of sudden serious shortages.

Jobless total falls for 22nd successive month

BY RALPH ATKINS

The number of people out of work in Britain fell in May for the 22nd consecutive month. However, average earnings are growing at the fastest rate for more than last two years, according to official figures published yesterday.

The seasonally adjusted unemployment total, excluding school leavers, fell by 37,600 last month to 2.416m, the lowest level since September 1981.

Mr Norman Fowler, Employment Secretary, said the sustained fall was "the longest continous decline since the war."

Recorded unemployment as a proportion of the working population stood at 8.7 per cent last month against 8.8 per cent in April.

Falling unemployment has been accompanied by rising average earnings growth. The underlying rate of increase for the whole economy in April was 8¾ per cent a year. In March, the figure was 8½ per cent.

The acceleration is likely to add to the fears of some independent economists that inflationary pressures are increasing. However, the rise includes bonus payments which could be due to increased productivity.

The unemployment figures highlight the current buoyancy of the British economy, although the pace of decline in unemployment has slowed considerably since December. In the six months to May, the average monthly fall in unemployment was 39,200 compared with 50,000 per month in the six months to November.

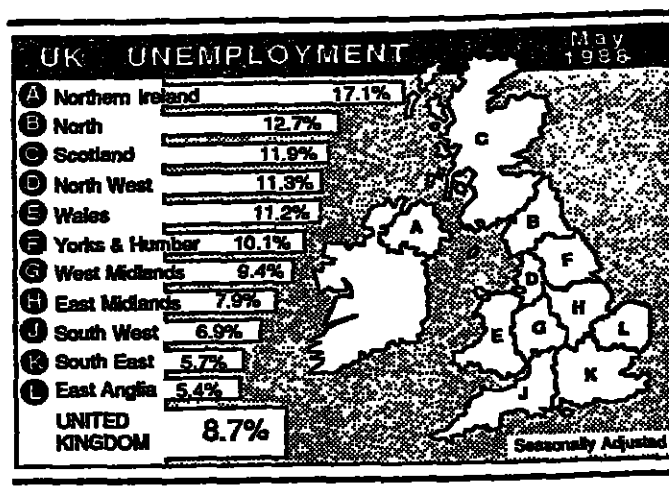
Mr Fowler said long-term unemployment was falling faster than unemployment generally. There had also been "a particularly marked fall" in long-term unemployment among young people aged under 25.

The unadjusted figure for the number of people registered as claiming benefits at benefit offices, including school leavers, fell by 109,115 in May to 2.427m. That was the lowest level since June 1981 but the comparison ignores changes in the method of calculating the total.

The number of job vacancies, which gives a rough guide to prospects for future changes in unemployment, showed a small rise in May. Vacancies advertised through the Government's Job Centres increased by 1,800 to 255,000 – 11 per cent higher than a year before. However, in the six months to May vacancies decreased by an average of 2,100 a month.

The latest international comparisons show that in March the UK's unemployment rate was higher than in the US, West Germany and Japan but lower than in France and Italy.

● New figures from the Department of Employment show that there were just 785 stoppages due to strikes in the year to April, the lowest for 52 years. In April itself there were only 28 stoppages, the lowest for any month since September 1934, the Department of Employment said.



The figures showed large variations between the regions. In Northern Ireland, 17.1 per cent of the working population was out of work in May, unchanged from the previous month, compared with a UK average of 8.7 per cent. In East Anglia, where the unemployment rate was lowest, 5.4 per cent were out of work, compared with 5.5 per cent in April. The unemployment rate in the south-east fell from 5.8 per cent to 5.7 per cent between April and May. In north England, it fell from 12.9 per cent to 12.7 per cent.

Government surplus in May

BY SIMON HOLBERTON

THE Government is well on the way to meeting its target of a £3bn public sector borrowing requirement surplus this year, Treasury figures released yesterday indicated.

With the public spending review under way the figures are likely to encourage ministers to seek greater outlays for their departments in the coming financial year. The figures showed that Government revenues are rising rapidly while expenditure has remained flat.

In May there was a £600m debt repayment taking the cumulative surplus for the 1988-89 financial year to £1.6bn. This compares with a surplus of £162m in May last year and a cumulative deficit of £1.85bn for the first two months of the last financial year.

In his March Budget, Mr Nigel Lawson, the Chancellor of the Exchequer, forecast that the public finances would achieve a £3bn surplus this year. Many independent economists believe this is too cautious and that the expected growth in tax revenues means that the surplus could be much higher.

The Treasury said PSBR figures were erratic and not much could be inferred from two months' figures.

In the first two months of this financial year total Government revenues were nearly 16 per cent higher than for the same period a year ago, while supply expenditure was 1 per cent lower than for the same period.

The PSBR has also benefited from a strong growth in privatisation receipts in the early months of the financial year.

UK average pay increases by 8¾%

BY PATRICK DANIEL

AVERAGE earnings of UK workers increased by an underlying rate of 8¾ per cent in the 12 months to April, the highest rate of increase since December 1985, according to data released yesterday by the Department of Employment.

The April figures, which show a ¼ percentage point rise from the 8½ per cent increases seen in the previous four months, mean that Britain's pay rises continue to be more than twice those in the US, France and West Germany.

Mr Norman Fowler, Employment Secretary, yesterday described the rise in earnings growth as "unwelcome".

"(The rise) is partly due to higher bonus payments – where performance has been rewarded – but, having made allowance for that, the fact is that settlements are too high."

Mr Fowler said pay settlements must be restrained if the improvements in the job market were to continue. He said that excessive earnings growth could only lead to employers taking on fewer staff.

Independent economists said the main worry was the impact on inflation. Mr Kevin Boakes of Greenwell Montagu said it was now absolutely clear that cost pressures in the UK economy had intensified.

Yesterday's figures follow the announcement earlier this week that UK manufacturers faced an unexpectedly sharp rise in the cost of raw materials and fuel purchased in May. They paid 2 per cent more for inputs, the largest monthly increase since the middle of last year.

Although the higher earnings growth is likely to be matched by gains in productivity – data on April's productivity and unit labour costs will be released today – several economists said further growth in the pay rise figures could be expected.

Mr Boakes said earnings growth could rise to 9 per cent by September because the current figures did not include recent major public sector settlements such as the 15 per cent pay rise for nurses and 6 per cent for the armed forces. They also did not include recent high pay settlements in the financial services sector.

Minister cuts by a third estimates of South housing need

BY HAZEL DUFFY AND JOHN HUNT

MR NICHOLAS RIDLEY, the Environment Secretary, has scaled down by as much as one third the number of additional dwellings it is expected will be needed to cope with demand in London and the south east of England.

The revision was accompanied by a circular to district councils by Mr William Waldegrave, Housing and Planning Minister, urging them to draw up clear and detailed local development plans to end confusion about where building can take place.

The original forecast, made by the Environment Department earlier this year, was that about 150,000 dwellings in the south east should be planned for, over and above the 460,000 envisaged two years ago would be needed in the period between 1991 and 2001. That extra provision has been cut back to between 100,000 and 120,000.

Mr Ridley denied that he had reduced his earlier forecast because of pressures from a group of backbench Conservative MPs who have been lobbying for containment of housebuilding in the region and protection of the countryside.

Speaking after a meeting yesterday with Lord Sandford, chairman of the South East Regional Planning Conference, Mr Ridley said that three factors had led to the revision of the forecast made earlier this year. They relate to a higher than expected supply of housing and lower demand.

● Between 30,000 and 50,000 units are likely to become available from empty residences coming on to the market as a result of provisions under the new Housing Bill;

● More land is available and more houses are under construction or are likely to be built by 1990 than had been expected;

● The regeneration of the old industrial towns and cities is expected to attract more business and people from the south east.

Mr Jerry Wiggin MP, chairman of the Sane Planning group of backbenchers, said last night that the revision was "a commendable trend. But it still means that over 500,000 houses will be built by the end of the century in the region and I believe that figure is just not politically acceptable."

Serplan, which represents the local authorities in the region, will given an overall view on the revised figures by the end of July. The way in which the housing provision will be distributed across the south east will be decided by the authorities in their structure and district plans.

Mr Waldegrave, in a speech read for him to the Royal Town Planning Institute in Cardiff announcing the issue of his circular, conceded that in some instances under the present system proper planning was not taking place at all -"It is anarchy."

He urged the district councils to "get on and prepare succinct and relevant plans as quickly as possible." Where necessary the area covered by the plans should be extended and should, without fail, define green belt boundaries.

UK NEWS

Clowes remanded on £300,000 bail

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

MR PETER CLOWES, the 46-year-old millionaire financier at the centre of investigations into the collapse of the Barlow Clowes fund management companies, was remanded on £300,000 bail until August 4 by Guildhall magistrates in the City of London yesterday.

He is charged with perverting the course of justice. The charge alleges that he "caused or procured the destruction of miscellaneous documents and the creation of certain false documents."

One of the bail conditions imposed by the three magistrates requires Mr Clowes not to contact past or present employees of Barlow Clowes Gilt Managers or Barlow Clowes International "except at the behest of and in the presence of representatives of Messrs Cork Gully or Messrs D.J.Freeman & Co."

Cork Gully, the accountancy firm, is the High Court-appointed special manager of Barlow Clowes Gilt Managers. D.J.Freeman & Co is solicitor for the special manager.

Other conditions are that Mr Clowes must not contact past or present clients of BCGM and BCI, and not, except with the permission of the Serious Fraud Office, contact past or present intermediaries.

Mr Clowes was also required to surrender his passport.

Bail sureties were provided by Mr Martin Stott, of Caringa, Macclesfield Road, Prestbury, Cheshire, for £250,000, and by Mr Clowes's 42-year-old wife, Pamela, for £50,000.

It is unusual for a wife to be allowed to stand surety for her husband but the court accepted Mrs Clowes as a temporary surety on condition that an independent surety for £50,000 be found to replace her within 14 days.

Peter Clowes leaving court with his wife Pamela

Mrs Helen Garlick, prosecuting for the Serious Fraud Office, said that it was thought to be in everybody's interest that at the moment Mr Clowes should be at liberty, subject to stringent bail conditions, to assist the special manager.

Mrs Garlick said that Mrs Clowes was being offered as a surety because Mr Clowes was in temporary difficulty over providing a suitable independent second surety.

It was, Mrs Garlick said, only in very unusual circumstances that the court would accept a defendant's wife as surety "because of the lack of the usual independence."

It had been agreed that Mrs Clowes would be acceptable to the prosecution for 14 days, within which time Mr Clowes' solicitors were confident that they could produce a proper, independent surety for £50,000, Mrs Garlick said.

Agreeing to stand surety for her husband, Mrs Clowes said she owned a property, Swingate Cottage, Whiteley Green, Macclesfield, which was valued at over £200,000.

Mr Clowes, who had sat silent in the dock throughout the 20-minute hearing, left the court room hand-in-hand with his wife.

● After a short discussion with his lawyers inside the court building, Mr Clowes and his wife, accompanied by a family friend, Mrs Diana Stone, pushed their way, refusing to comment, through a crowd of reporters, photographers and television cameras and drove off in a taxi.

Mr Clowes had spent the previous night in a cell at Bishopsgate police station in the City after being arrested near his Cheshire home by City fraud squad detectives on Wednesday morning.

After yesterday's court hearing Mr Charles Buckley, Mr Clowes' solicitor, told reporters that Mr Clowes was "very calm, confident and relaxed.

"He will be expending his energies in the recovery of depositors' money in conjunction with Cork Gully, and his commercial lawyer, Mr Roger Lane-Smith, will be giving him professional assistance." Mr Buckley said that he had no doubt that Mr Clowes was "a very honest and consummate businessman. I don't think he has committed any criminal acts whatever."

Mr Buckley was critical of what he described as "summary execution" by the Securities and Investment Board in closing down "a very good business."

Liquidators scan associate's books

BY RICHARD WATERS

JOINT Barlow Clowes liquidator Ernst & Whinney spent yesterday in Leeds combing the books of companies controlled by Mr Guy Cramer, a business associate of Mr Peter Clowes, to establish whether he received £13m of investors' money, as alleged earlier this week.

At a meeting with the liquidators on Wednesday, Mr Cramer denied any knowledge of all but "a very very small sum" of the money, said Mr Nigel Hamilton, who is heading the Ernst team. The £13m is the largest single amount alleged by the liquidators to have been paid out of Barlow Clowes investors' money. Altogether, £88m is alleged to have been paid from the funds.

The investigation is focusing on the extent to which investors' money was used to finance the £29m takeover last year of Buckley's Brewery mounted by Brodian, a company under the control of Mr Cramer and Mr Peter Clowes.

A "substantial amount" of investors' money was lent to Brodian, said Mr Hamilton. He said that it was possible that money reported to have been advanced to Mr Cramer was the same as that lent to Brodian. "There could be some double-counting," he said.

Ernst & Whinney also interviewed Surrey resident Dr Peter Naylor, a former business associate of Mr Clowes about an amount of around £1m he is alleged to have received. "He is not disputing that he had substantial funds," said Mr Hamilton. But Mr Naylor claimed that the money represented remuneration for work he had carried out for Mr Clowes over a number of years, as well as gifts and loans.

Ernst & Whinney have also been in contact with Mr David Mitchell, the Geneva-based accountant alleged to have received £2m of investors' money.

Commodity firm wound up by City watchdog

By Clive Wolman

THE Securities and Investments Board, the chief investor protection agency, yesterday renewed its drive against the more dubious investment firms by obtaining the appointment of an offical receiver as a provisional liquidator of a small London commodities firm.

The firm, Stox, which has client funds under management of between £500,000 and £600,000, received interim authorisation under the Financial Services Act in April after applying for membership to the Association of Futures Brokers and Dealers, one of the self-regulating organisations under the Act.

It was set up by former employees of DPR, another commodities dealing firm which itself was formed as a spin-off from LHW Futures.

LHW, the largest commodities management firm dealing with the general public, has been banned from the London and International Financial Futures Exchange after criticisms of its hard selling methods.

It has interim authorisation under the Financial Services Act.

The SIB applied to court to wind up Stox on the basis of section 72 of the Act.

Gas-electricity inquiries

By Max Wilkinson

BRITISH GAS has received about 100 enquiries from private companies which want to generate electricity from gas, enough to meet much of the additional demand for electric power to the end of the century.

Mr Ron Probert, the company's marketing director said yesterday that if all the schemes were implemented they would add some 5bn therms per year to UK gas demand, or about 25 per cent of total consumption.

Sir Denis Rooke, chairman of the company, said that he did not believe all the schemes would result in actual plant being built.

Nevertheless, the huge interest in private generation from gas has surprised senior executives of the corporation and added a new impetus to its talks with Norway and the USSR about imported supplies towards the end of the next decade.

Kinnock under fire again for 'authoritarian' leadership style

BY PHILIP BASSETT AND MICHAEL CASSELL

CRITICISM of Mr Neil Kinnock, the Labour Party leader, gathered force yesterday as a range of organisations within the party – including some of his erstwhile strongest supporters – attacked his leadership style.

Some of the strongest comments came from the trade unions, which play a key role in the party's financing and decision making. Mr Ron Todd, general secretary of the Transport and General Workers' Union, the largest union affiliated to the Labour Party, warned Mr Kinnock in the clearest possible terms to leave policy-making to the unions, constituency parties and MPs in context of the annual Labour Party conference.

Mr Todd's remarks came after last week's refusal by the TGWU national executive to nominate Mr Kinnock as party leader, largely because of his recent statements on defence.

Speaking to the annual conference of the Irish TGWU, Mr Todd stressed his support for Mr Kinnock, but said that no-one should confuse loyalty with acquiescence.

There was no point, he said, in the Labour Party seeking power if it abandoned "all of those key policies which form the bedrock of the Labour Party" in getting there.

Mr Sam McCluskie, general secretary of the National Union of Seamen, also made a veiled attack on Mr Kinnock's style of leadership yesterday in a speech to the biennial conference of Ucatt, the construction workers' union, in Blackpool.

Mr McCluskie – who as Labour's treasurer, is part of the party's leadership team and is a close supporter of Mr Kinnock – said he was impressed by the debate at the conference and added: "I only wish people in other parts of the movement would also debate the issues at ground level before they make unilateral decisions."

Mr McCluskie is understood also to have been irritated by Mr Kinnock's remarks on defence.

Mr Kinnock's problems were compounded by criticism of the current internal policy review and of his style of leadership from the traditionally supportive Labour Co-Ordinating Committee, the party's soft-left pressure group.

The committee, which is backing Mr Kinnock in the present leadership contest, issued a statement yesterday opposing the "increasing authoritarianism and centralisation of party decision making in the leader's office".

The policy review was, it alleged, being carried out "in an undemocratic and elitist way" which excluded party members from influencing the outcome.

The committee also accused Mr Roy Hattersley, Labour's deputy leader, of treating the post as a "sinecure" and criticised his record on grounds "both of ideology and competence". It is supporting Mr John Prescott, Labour's energy spokesman, for the deputy leadership.

Labour backbenchers were yesterday dismayed by Mr Kinnock's performance in the House of Commons, when he used Prime Minister's question time to allege hypocrisy on the part of Mr Nicholas Ridley, the Environment Secretary, towards housing development in rural areas.

Both Mr Kinnock's choice of subject and despatch box performance were criticised by Labour MPs after Mrs Thatcher dismissed his questions, claiming that the opposition leader never failed to surprise her with the "smallness" of some of his questions.

Mr Kinnock will today launch a robust defence of his leadership and of the policy review at a conference in London. Writing in the latest edition of the Tribune newspaper, he yesterday launched his most outspoken attack yet on his left-wing critics.

He rejected accusations of authoritarian leadership and said the leadership election was between those people prepared to recognise the need for change and those who were afraid of it.

Ulster internment call resisted

BY MICHAEL CASSELL IN LONDON AND KIERAN COOKE IN BELFAST

THE Government intends to resist mounting calls for the return of internment without trial in Northern Ireland, the Prime Minister made clear yesterday.

The demands were made at Westminster following the IRA killing of six British soldiers in Lisburn, about 13km south of Belfast, on Wednesday night. The death toll was the highest in any single attack against the army since a discotheque bombing in the province in 1982 in which 17 soldiers were killed.

Responding to calls from some MPs for the selective detention of suspected terrorists, Mrs Thatcher said the possibility had not been ruled out but that the Government would be very reluctant to take such "a very serious step."

Her view was echoed by Mr Tom King, the Northern Ireland Secretary, who said the casualties could have been much greater if the bomb attached to the soldiers' van had gone off in the car park where it had been parked earlier.

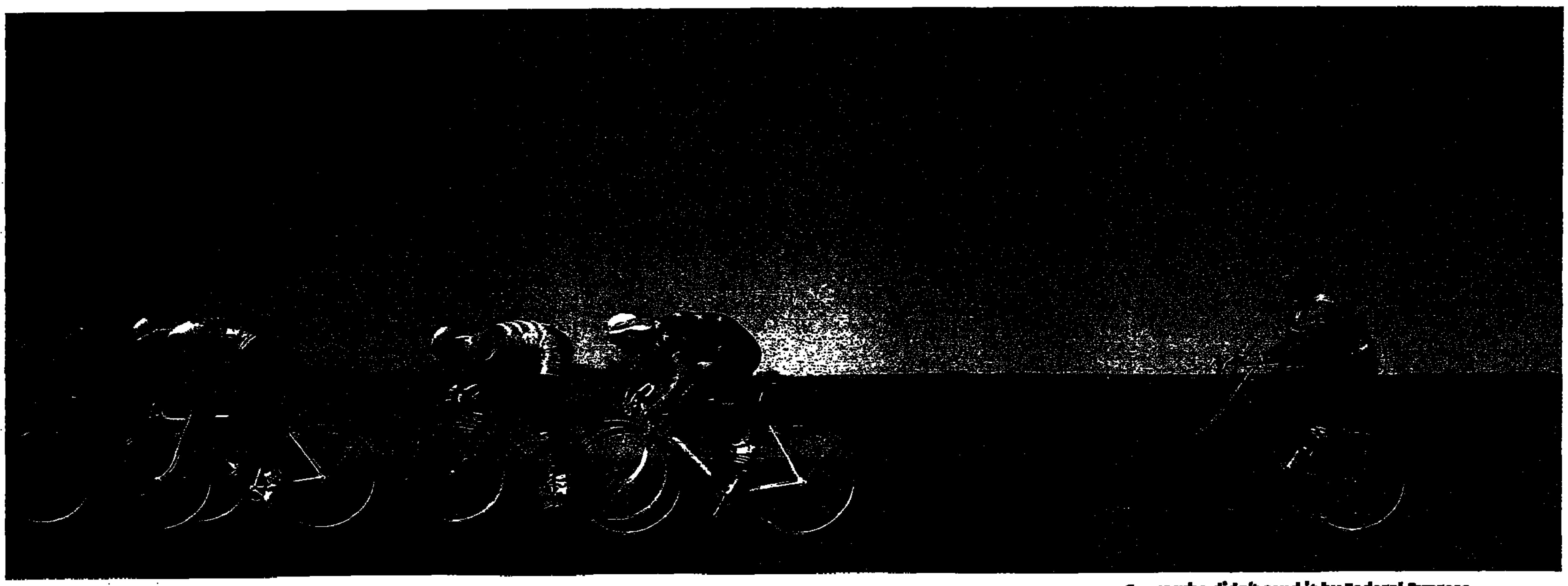
Mr Kevin McNamara, Labour's Northern Ireland spokesman, condemned what he described as another "act of callous inhumanity." However, he rejected a return to internment, which he claimed would heighten tension, increase social instability and make a political solution even more remote.

Internment was introduced in the province in August 1971 and was phased out in 1975, although Mr King reminded MPs yesterday that he still retained powers of detention.

Attention following the latest IRA attack was yesterday focused on what appears to have been a major breach in military security. Experts are trying to determine how the IRA managed to identify the unmarked van the soldiers were travelling in and how 7lb (about 3kg) of explosive were planted on the underside of the vehicle in the midst of a crowded area.

The bombing will be among the main topics to be discussed at a meeting in Belfast today of the Anglo-Irish Conference, the body set up under the terms of the Anglo-Irish agreement.

The Irish Government has already expressed its horror at the bombing. Mr King will be seeking assurances that the republic's Government, which has already condemned the Lisburn killings, intends to take every possible action against the IRA.



UK NEWS

Peter Marsh examines the accident figures in an industry now considered to be safe

Ghost of Flixborough haunts chemical plants

HOW SAFE is the chemicals industry? The question arises as a result of claims by the GMB general workers' union that safety standards are suffering in a scramble by companies to increase sales and profits.

The debate on hazards follows the deaths of two employees of Imperial Chemical Industries; Britain's biggest chemical company, in an explosion on Tuesday at a dynamite factory in North Wales.

Many aspects of chemicals production – one of Britain's biggest and financially healthiest manufacturing sectors with an annual turnover of about £20bn (£11.2bn) – zare inherently dangerous.

The chemical industry, which recovered well from the slump at the beginning of the 1980s and is reporting good growth prospects, involves the reaction and transport of large quantities of materials, many of which are inflammable, explosive or toxic.

Yet the industry, with about 330,000 employees, does not have a poor reputation for safety. The last big accident in Britain was the explosion in 1974 at the Flixborough chemical plant on Humberside, which killed 28 people.

Fire at the Flixborough chemical plant in 1974 which killed 28

During the five years to 1987, an average of only five people a year have died due to work-related accidents in the industry, according to figures from the Government's Health and Safety Executive (HSE). That compares with the average for the whole of manufacturing industry over this period of 117 deaths a year.

Dr Philip Nolan, a chemical engineer at South Bank Polytechnic in London, who is a consultant to the chemicals industry, says that since Flixborough the business "has got its act together" on safety. He says the sector's safety record is "superb."

As for ICI, whose UK output accounts for about a quarter of the total production of the British chemicals industry, the company notes a gradual turn for the better in its safety statistics. In the 1970s, fatalities at its British plants averaged about five a year, a figure reduced to about two a year in the 1980s.

Serious accidents causing people to take time off work at ICI's British plants have similarly declined. ICI now experiences one such accident for every 200,000 man-hours of work, a frequency which has decreased by 30 per cent since 1980.

However, there is some disagreement about trends in the industry as a whole. Inevitably, the arguments centre on the reliability and interpretation of statistics.

Mr Steve Rabson, health and safety officer at the GMB union, points to HSE figures detailing the number of deaths and serious injuries per 100,000 employees in the industry. Between 1982 and 1985, this number rose from 88 to 115 – an increase of almost a third.

The figure for 1986-87 – the last available year – stood at 161. But the rise here is at least partly explained by more rigorous reporting rules.

HSE officials do not want to be drawn on the explanation for the apparent rise in incidents other than saying they mirror what seems to be a worsening general safety record in manufacturing.

Mr Rabson at the GMB is less reticent. He says chemicals companies are relaxing safety measures in their drive to expand. "The industry used to be fairly safe, but the position has been deteriorating."

Mr Trevor Kletz, a former ICI safety officer who now works as a consultant, says the bigger companies in the industry generally have a good record on hazards at work. He acknowledges that there may be a problem among smaller "cowboy" operators.

Another difficulty may be the reliability of statistics. Figures for serious injuries are, says Mr Kletz, a reflection to some degree of employees' willingness to take time off work as a result of an accident that may in fact have been minor.

The Chemical Industries Association, the trade body for the UK industry, keeps its own safety figures derived from a voluntary survey among its 200 or so member companies. In 1976, the survey showed 1.5 serious accidents per 100,000 hours of work. This figure declined to 0.8 in 1984, since when it has been virtually static.

Mr Peter Merriman, safety executive at the association, admits that the flattening of the trend is giving him some concern. He believes that some companies may be becoming complacent about safety.

"Safety is all about ramming home to people the buzzwords, about attitudes, awareness and perceptions to make them less likely to have accidents. Broad exhortations to companies on this issue are all very well but their impact lasts for only 30 seconds."

Mr Merriman's overall conclusion is that safety standards have definitely improved. "But we could still be doing better."

Colleges 'delayed by councils'

BY DAVID THOMAS, EDUCATION CORRESPONDENT

MR KENNETH BAKER, Education Secretary, yesterday blamed delays to his programme of city technology colleges on the refusal of Labour Party-controlled local authorities to make sites available.

Mr Baker, speaking at the announcement of the first CTC in north eastern England near Middlesbrough, plans to announce a group of further colleges shortly, including one scheduled for next week in the south east at Dartford, Kent.

CTCs, designed for 11- to 18-year-olds with an aptitude for science and technology, will be independent of local authorities. They are intended to meet skill shortages in technical subjects, to raise educational standards in urban areas, and to encourage business involvement in education.

The Middlesbrough college is the third in which both a site and leading sponsor prepared to donate £1m to the project have been announced. Three other lead sponsors have been named, bringing to six the number of CTCs firmly in the pipeline.

The Middlesbrough CTC, which could open in September 1989, has so far attracted almost £1.7m from commercial sponsors. It will open on the site of a former Catholic School, bought with the help of Cameron Hall Developments, a property group.

BAT Industries is the lead sponsor, putting in £1m. The British Steel Corporation is contributing more than £100,000 through donations of steel to refurbish the building, and the Davy Corporation is putting in a similar amount by donating engineering and other services.

Government backs mobile telephone research plan

BY TERRY DODSWORTH

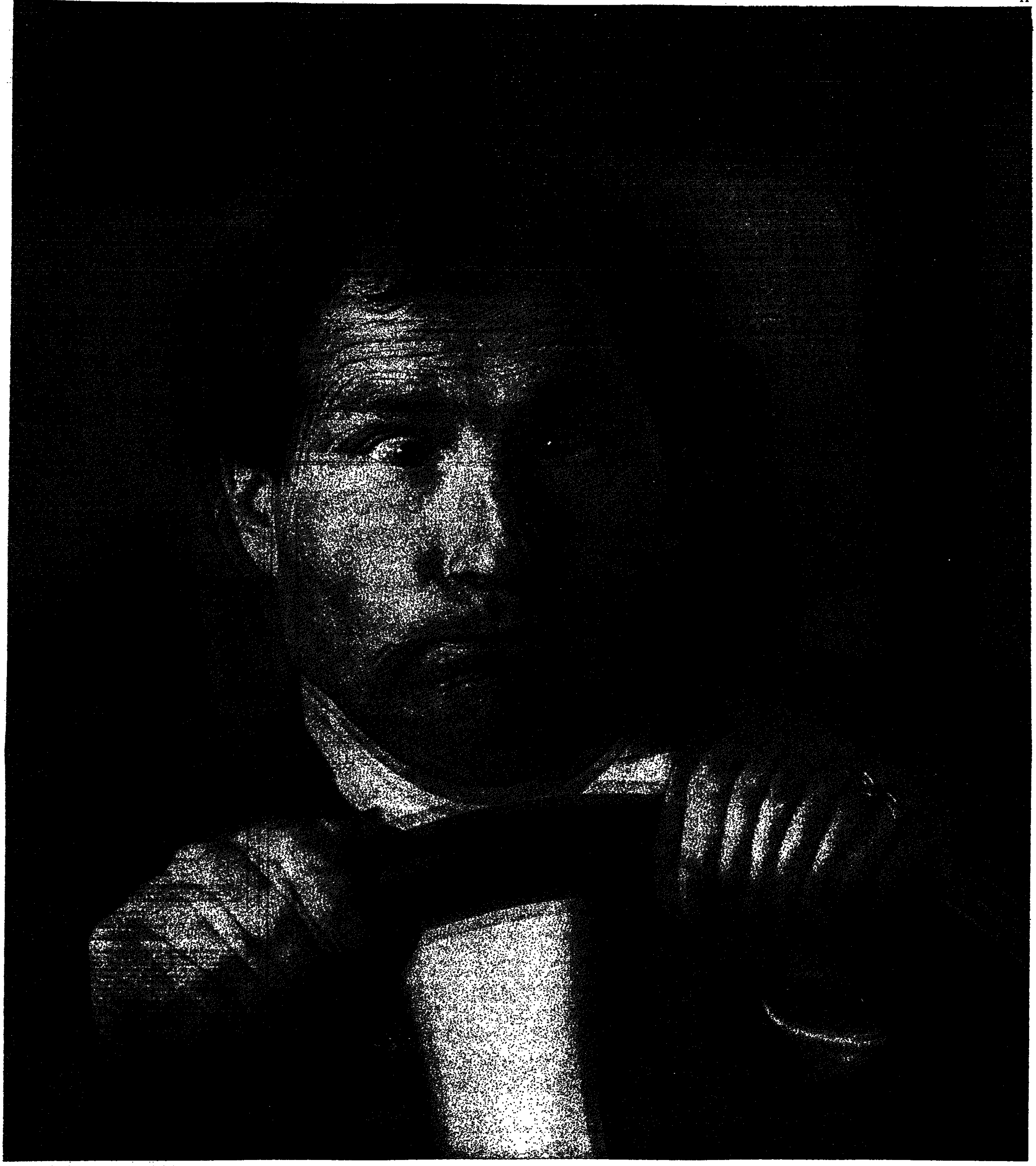
THE GOVERNMENT has decided to back a telecommunications research project aimed at maintaining Britain's strong position in the fast-developing field of mobile telephone technology.

The project will bring together several leading electronics companies and academic institutions under the funding scheme provided by the Government's Link initiative.

The state contribution will be £6.35m, from the Department of Trade and Industry and the Science and Engineering Research Council. Industrial partners are expected to contribute at least an equivalent amount.

Link was designed to bring together industrial and academic research organisations in pre-competitive projects on basic technology.

The schemes were launched at the beginning of this year. Funds so far earmarked amount to £103m, of which the Government will provide up to half.



BEFORE RENAULT COULD BUILD BETTER SHOCK ABSORBERS, THEY HAD TO FIND A COMPUTER THAT COULD ABSORB THE SHOCKS.

At a secret site outside Paris, a Renault races across one of the bumpiest roads in France. Sensors on its roof and wheels register every jar and jolt.

The information is fed into a Compaq Portable strapped onto the back seat.

After this bone-crunching ride, the computer delivers its road test analysis.

It does it in minutes, rather than the days or weeks required of Renault's laboratory-based computers.

No other portable is built like a Compaq. With a steel frame, encased in the same plastic used in bullet proof windows. And more importantly to Renault, shock mounted hard disc drives.

Better shock absorbers don't just mean a smoother ride for Renault's customers. On the racing circuits they can separate victory from failure.

With so much at stake, Compaq was a natural choice. They are the world's top manufacturer of portables and their personal computers outperform any others. Even under these shocking conditions.

COMPAQ®

WE'LL NEVER CEASE TO AMAZE YOU

FOR FURTHER INFORMATION RING 0800-444123 FREE OF CHARGE QUOTING REFERENCE FT3 COMPAQ PORTABLE 386™

FT LAW REPORTS

Non-existent Irish income is not taxable

JONES (HM INSPECTOR OF TAXES) v O'BRIEN
Chancery Division
(Mr Justice Hoffmann)
June 14 1988

UK TAX on Irish investment income is computed on the full amount of profits or gains arising in the year of assessment; and an assessment to tax is therefore invalid if made during that year on a prediction basis before the income has actually or notionally arisen.

Mr Justice Hoffmann so held when dismissing an appeal by the Inland Revenue from the Special Commissioners' decision discharging an assessment to income tax made on Mr Brian Murrough Fergus O'Brien in respect of his Irish investment income.

Section 29 (1) of the Taxes Management Act 1970 provides: "(a)if the [tax] inspector is satisfied that any return . . . affords correct and complete information . . . he shall make an assessment accordingly (b) if it appears to the inspector that there are any profits in respect of which tax is chargeable and which have not been included in a return under Part II of this Act . . . he may make an assessment to the best of his judgment."

HIS LORDSHIP said that Mr O'Brien resided in the UK and owned shares in certain Irish companies.

In the tax year 1985-6 he received £1,910 income from those shares. He entered it in his tax return for 1986-7, and was assessed in accordance with the return on June 3 1986. The tax was paid.

Four months later he received another assessment, dated October 7 1986, for the year 1986-7, in an estimated sum of £2,000. By the time of the second assessment the income which had actually arisen was £950.

The income likely to arise in the rest of the year could only be the subject of inductive prediction based on the behaviour pattern of the Irish companies in previous years.

Mr O'Brien successfully appealed to the Special Commissioners. The Crown now appealed.

The assessment was made under Case V of Schedule D. In the normal case tax chargeable under Case V of Schedule D was computed on the full amount of the income arising in the year preceding the year of assessment. But in the case of property situated and profits or gains arising in the Republic of Ireland, it was "computed on the full amount of the income arising in the year of assessment"(see Schedule 12, paragraph 2(1) to the Taxes Management Act 1970.

The Crown submitted that the assessment was validly made under section 29(1) of the Act. It said that by October 1986 it would have appeared on the basis of previous years that Mr O'Brien would be receiving income from his Irish investments during the 1986-7 year of assessment. That income had "not been included in a return under Part II" of the Act, and it did not matter that Mr O'Brien was not required to include it. Therefore, it was argued, the inspector was entitled to "make an assessment to the best of his judgment" under section 29(1)(b).

The words of section 29(1)(b) were capable of bearing that meaning. But, in the context of the other provisions of the Act it was a strained and unnatural meaning which the legislature did not intend.

If the inspector was satisfied that the return afforded "correct and complete information," section 29(1)(a) said he "shall" make an assessment in accordance with the return.

Thus the primary basis for the assessment was the return.

The words "which have been included" in section 29(1)(b) meant in their context "which should or could have been included but have been for one reason or another omitted." Therefore the inspector could not proceed to a "best of judgment" assessment before he had asked for a return.

If the taxpayer could be assessed before he was required to make a return, some strange consequences would follow.

First, when the return was made the inspector would be obliged under section 29(1)(a) to make an assessment. There would then be two assessments in respect of the same income and one would have to be discharged. It was difficult to imagine that the legislature intended that to happen as a matter of routine.

Second, the taxpayer would not be entitled subsequently to claim relief under section 33 in respect of "error or mistake." The power to give relief under that section was confined to error or mistake "in a return." Unless he appealed within 30 days the estimated assessment would become binding on him whatever actual income he might receive during the rest of the year.

A more fundamental reason why the assessment was invalid was that it could not be said in October 1986 that Mr O'Brien's dividends from his Irish investments were "profits in respect of which tax is chargeable" within 29(1)(b).

Schedule D charged "annual profits or gain," and tax chargeable under Case V on profits or gains arising in Ireland was computed on the "full amount" of the income arising in the year of assessment.

There was no charge to tax on the income *per diem in diem* as it arose during the year.

The imposition of liability to tax on the full amount of the income arising in a year necessarily entailed that the year had elapsed.

Until then the profits in respect of which he was liable to tax would not exist and therefore no charge to tax could attach.

The Crown referred to *IRC v Gardner Mountain & D'Abrumenil Ltd (1947) 29 TC 69*, in which the House of Lords held that profits were to be treated as arising in the year in which they were earned, notwithstanding that the amount might be incapable of ascertainment at a future date.

In that case however, the assessment was made after expiry of the period to which it related. Notionally the profits for the whole year had arisen, though their ascertainment might present difficulties.

In the present case the profits had not arisen either actually or notionally at the time of assessment.

The appeal was dismissed.

For the Crown: Alan Moses (Inland Revenue Solicitor).
For Mr O'Brien: Kevin Prosser (Tweedie & Prideaux).

Rachel Davies
Barrister

These reports are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. 01-831-0391.

APPOINTMENTS

Managing director for Alpine Soft Drinks

ALPINE SOFT DRINKS (UK), a subsidiary of Alpine Group, has promoted Mr John Middleton, former managing director of Exclusive Cleaning City, to managing director. Mr Graham Clark, formerly director responsible for design and implementation of control information systems applicable to production and warehousing functions at Alpha-Numeric, is made operations director.

★

Mr Hugh O'Neill has been appointed as chairman of the NORTHERN IRELAND TOURIST BOARD in succession to Sir John Swinson, who has been chairman of the board since 1980. Mr O'Neill, chairman of Northern Ireland Airports, will lead the board for three years.

★

Mr Michael P.D. Davey has been appointed sales director of ADS OFFICE SYSTEMS.

★

McKECHNIE has appointed Dr T.N.R. Marples as director and general manager of Stelco Hardy. He has previously held management posts at the company's copper sulphate plants in Widnes and Bordeaux.

★

Mr Stuart Fillingham has become managing director of SLEEPEEZEE, a subsidiary of the Christie-Tyler Group. He was managing director of Stott & Smith.

★

At POWER CORPORATION Mr Antony Leonard and Miss Michele Kavanagh have been made directors. Mr Leonard joined Power as group financial controller in 1980 and will continue to operate in that area. Miss Kavanagh also joined in 1980 and holds responsibility for retailing concepts and day-to-day management of the group's shopping centres.

★

Mr Garry Lynch has been made a director of BRITISH CAR AUCTIONS. He is now responsible for national sales, manufacturer's sales and dealer development.

★

GRAU GIRLING has appointed an executive board of directors: Mr Mike Stevens, managing director, Mr David White, sales and marketing, Mr Bill Broome, technical, and Mr Tony Boucher, financial.

★

NCV HOLDINGS has appointed Mr David Hall to the board. He is managing director of a subsidiary company, Accident and General.

★

NATIONAL FREIGHT CONSORTIUM has appointed Mr E.A. Wall as chairman of NFC International Holdings. He is president of National Freight Company International Holdings (USA).

★

Mr Alan Toms has become deputy managing director of INITIAL. He has also been appointed executive deputy chairman of the newly-formed Initial (UK). Mr Lee Cummins, managing director of the commercial services division, has joined the board and Mr David Evans, founder of Brengreen Holdings, has been made a non-executive director.

★

NCR has appointed Mr Patrick Mill its sales and marketing director. He was vice president of the financial systems marketing division of NCR Europe.

★

Mr Keith Buckle has been appointed a director of HAMBROS BANK and will be in charge of the pension fund department of Hambros Investment Management. He will take over from Mr John Cumming, who is due to retire in March 1989.

★

Mr Philip H. Swatman has been appointed a non-executive director of ITL INFORMATION TECHNOLOGY. He is a director of N.M. Rothschild and Sons.

Mr Jon Morgan has been appointed sales and marketing director of SPHINX. He was UK sales director at Thorn EMI Computer Software.

★

Mr Paul Bates has been appointed a director of THE COOPER GROUP, a wholly-owned subsidiary of Tozer Kemsley Millbourn. He is director of Cooper Bishopsgate.

★

Mr Andrew Coles has been appointed finance director of BROADWELL LAND. He was group finance director of Central and City Properties.

★

Mr Nigel Stally has been appointed managing director of TUDOR TECHNOLOGY, a company he co-founded in 1987.

★

Mr David Betham-Rogers has been appointed publisher of THE OILMAN following its purchase by Pennwell Publishing Co.

★

Mr Harold Couch, senior retail partner at Hillier Parker, is to chair the 1989 INTERNATIONAL COUNCIL OF SHOPPING CENTRES, to be held in Vienna next Spring.

★

The SCIENCE AND ENGINEERING COUNCIL has appointed Mr John Merchant as director Council policy and administration. He is the principal establishment and finance officer of the Crown prosecution service.

★

Mr Clive Deacon has been appointed managing director and Mr Nial Davies sales director of LIBRA CITY PRINTERS (INTERNATIONAL), the newly-formed international operating arm of Libra City.

★

Mr Malcom Shaffer has joined the board of WALLACE INTERNATIONAL as commercial director following its acqisition by Prospective.

Company Notices

NOTICE OF IMPROVEMENT OF RANKING

BACOB

BACOB Finance N.V.

N.Z.$35,000,000
15 5/8 per cent. Guaranteed Notes due 1990

ECU 28,500,000
9 3/4 per cent. Guaranteed Bonds due 1993

ECU 57,000,000
7 1/4 per cent. Guaranteed Bonds due 1993

U.S.$100,000,000
7 3/4 per cent. Guaranteed Notes due 1991

A$50,000,000
14 3/4 per cent. Guaranteed Notes due 1990

all guaranteed on a subordinated basis by

BACOB Savings Bank s.c. (the "Guarantor")

(collectively the "Securities")

NOTICE IS HEREBY GIVEN to the holders of the Securities pursuant to and in accordance with the Terms and Conditions endorsed on each of the Securities (the "Conditions") that as a consequence of the issue of

BACOB Finance N.V.
Danish Kroner 250,000,000
10 per cent. Guaranteed Bonds due 1991
Guaranteed by
BACOB Savings Bank s.c.

(a) the provisions relating to the subordination of each of the Guarantees in respect of the Securities (the "Guarantees") in the event of a liquidation of the Guarantor ceased to apply on 12th April, 1988 and accordingly as from such date each of the Guarantees ranks at least pari passu with all unsecured unsubordinated indebtedness of the Guarantor outstanding (other than obligations preferred by mandatory provisions of law) on 12th April, 1988 or arising thereafter and (b) the Guarantor has procured that as from 12th April, 1988 each On-Loan (as defined in the Conditions) of the proceeds of the issue of the Securities ranks at least pari passu with all unsecured unsubordinated indebtedness of the Guarantor outstanding (other than obligations preferred by mandatory provisions of law) on 12th April, 1988 or arising thereafter.

BACOB Finance N.V. BACOB Savings Bank s.c.

17 th June, 1988

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
230	185	Ass. Brit. Ind. Ordinary	230	0	8.7	3.8	8.6
230	186	Ass. Brit. Ind. CULS	230	0	10.0	4.3	
40	25	Armitage and Rhodes	40	0	-	-	-
57	50	BBB Design group (USM)	55	-1	2.1	3.7	8.8
162	155	Bardon Group	161	0	2.7	1.7	27.5
112	100	Bardon Group Conv. Pref.	112	0	6.7	6.7	-
148	137	Bray Technologies	140	0	5.2	3.7	10.2
107	100	Bramhill Conv. Pref	107	0	11.0	10.3	-
270	246	CCL Group Ordinary	270	0	12.3	4.6	4.1
143	124	CCL Group 11% Conv.Pref	143	0	14.7	10.3	
151	129	Carbo Plc (SE)	145	0	6.1	4.2	9.2
112	100	Carbo 7.5% Pref (SE)	112	0	10.3	9.2	
248	147	George Blair	248	+2	3.7	1.5	6.9
94	60	Isis Group	94	0			
103	87	Jackson Group	103xd	+1	3.4	3.3	11.4
340	245	Multihouse NV (AmstSE)	330	0	10.4	3.2	13.1
52	40	Robert Jenkins	49	0			2.4
308	124	Scrottons	308	+3	8.0	2.6	28.0
204	194	Torday & Carlisle	201xd	+1	7.7	3.8	7.7
85	56	Trevian Holdings (USM)	85	+2	2.7	3.2	9.1
109	100	Unistrut Europe Conv Pref	109	0	8.0	7.3	
285	203	W.S Yeates	285	0	16.2	5.7	7.9

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co nor Granville Davies Ltd are market makers in these securities

Granville & Company Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of TSA

Granville Davies Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of the Stock Exchange & TSA

MANAGEMENT

THE CURRENT takeover threat to Cadbury Schweppes is a salutary reminder that two years of hectic restructuring are not enough to eliminate a company's vulnerability. Over that period, the British soft drinks and confectionery company has disposed of five businesses outside its core activities, realising over £180m. To build an international presence, it has also spent over £250m on nine soft drinks and chocolate acquisitions in five countries. Yet stock markets are speculating that soft drinks still need to be split from chocolate, and that the chocolate business, at least, may be worth more in other hands.

Less active companies have already fallen into the hands of predators which have dismembered them, swallowing some parts and selling others. The restructuring of Imperial, the former tobacco-to-brewing group, was largely completed a few months ago when its new owner, Hanson Trust, sold the Ross Young frozen food business to United Biscuits for £335m. And Unilever has recently completed the first stage of restructuring Chesebrough-Ponds, the US cosmetics-to-chemicals conglomerate, many of whose peripheral businesses it has sold.

Imperial and Chesebrough-Ponds both failed to justify their role as corporate parents, which is why they fell. The constituent businesses in their portfolio were worth more in the hands of alternative owners than combined under their own control. The same may prove true of Cadbury Schweppes.

With even very large businesses now in the sights of a raider or leveraged buyout team, corporate managements are under pressure as never before to earn the right to manage the businesses in their portfolio. To defend themselves against acquisition, managements must establish that they can add more value to their businesses than any other potential parent – that they can make a distinctive contribution beyond just earning the cost of capital.

Traditionally, corporate managements have asked the question: what businesses should we be in? In the well-developed market for corporate control in the US and UK, that question should be upended to become: what parent does each business need? – indeed, does it need a parent at all?

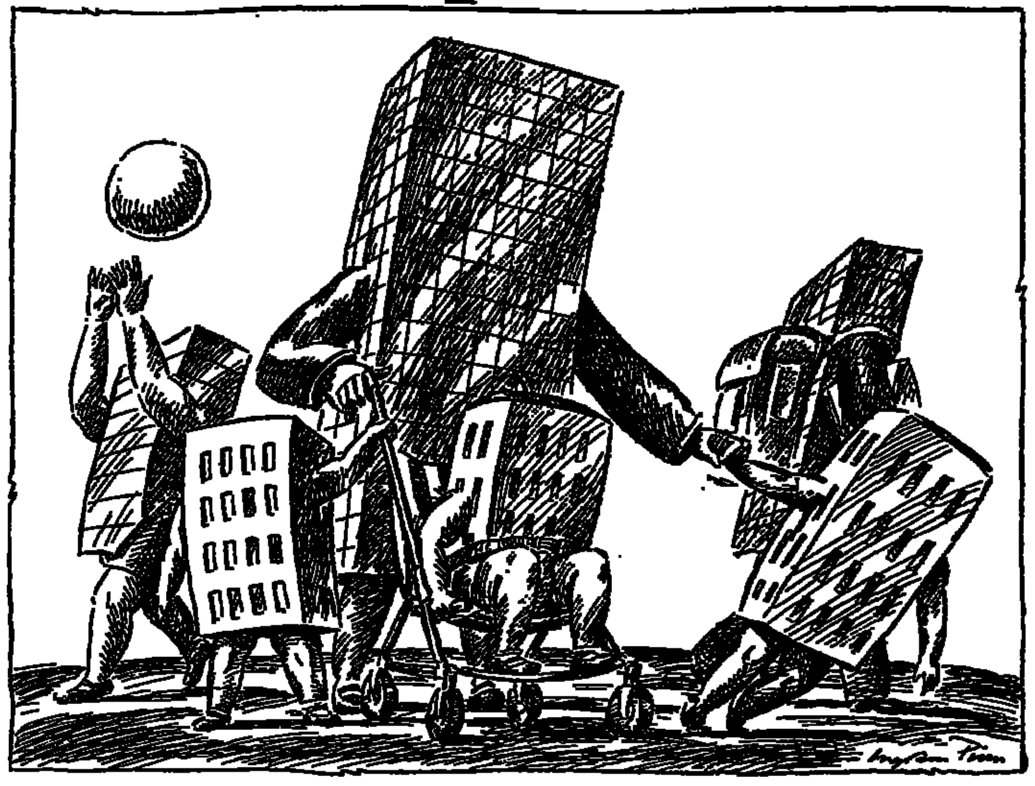
The answer in many cases will prove decidedly uncomfortable, demonstrating the need for a radical refocusing of the company's portfolio of businesses or for a dramatic change in how the corporate centre behaves towards them. For some companies it will mean both.

What, then, can a corporate centre provide that a well-run business could not do for itself – and how does this vary between businesses?

Corporate strategy

Why parents must be more particular

Sigurd Reinton and Nathaniel Foote argue that many companies need a better match between their corporate skills and business portfolios



IN ADDING value to businesses in a portfolio on a continuing basis, corporations can play one of three basic parenting roles:

● Controller: The controller adds value by picking the right managers and motivating them using tightly negotiated targets. Effective business strategy, under a controller, is a by-product of appropriate near-term targets. Business units are defined to be stand-alone to maximise accountability. The corporate centre staff is kept to a minimum. BTR and Tarmac are successful controllers.

● Coach: The coach draws upon unusually deep prior experience and industry knowledge to improve business strategies and operating performance, while preserving the independence and initiative of the individual business units. Coaches, such as Unilever or the New York Times group, invest in sharing information, managing career paths, and applying systems to share skills between businesses.

● Orchestrator: The orchestrator co-ordinates a complex chain of businesses to realise the potential synergies between them. Generally, orchestrators, such as IBM or Shell, focus particularly heavily on ensuring the development of superior business strategies to maximise the effectiveness of their total resources. Individual businesses are closely integrated into corporate decision-making; conversely, corporate-wide interests must be taken into account in business unit decisions.

Where dramatic portfolio restructuring is required, corporations can also play either of two temporary transforming roles.

● Surgeon: The surgeon redefines and breaks up business units to remove complexity and eliminate corporate overheads. At Imperial, for example, Hanson Trust quickly established clear lines of responsibility and installed well-proven financial controls. By selling assets, Hanson has reduced its investment (and risk) in the retained businesses.

● Architect: The architect identifies opportunities to combine businesses so as to produce new sources of competitive advantage via shared skills or synergies. Architects, like Unilever in its acquisition of Chesebrough-Ponds, must be skilled at redeploying assets and redefining business units.

There are several ways in which businesses, even well-run businesses, can be pushed (or assisted) by parents to create more value. Many parents would claim to practise several of them; few actually do so with remotely enough clarity and drive to be truly effective.

● Developing or improving strategy. Business unit heads should be good managers; they may not necessarily be great strategic thinkers. Executives in the parent company may be able to help develop a better strategy by bringing greater analytical objectivity, or by drawing on wider experience – as they have at Lotus in helping its applications software businesses, or as Jack Welch and his inner team do at General Electric (US).

● Motivating management to perform. This is more frequently said than done. Business unit managements, whether independent or part of a larger corporation, tend to settle comfortably for acceptable, rather than outstanding, results. Few of their parents (if they have one) emulate BTR, the British conglomerate, which sets stretching targets to push managers to a higher level of energy and instil a greater will to confront difficult decisions, thereby producing much better results. Even fewer follow the alternative approach of IBM and Caterpillar in using far more deeply-rooted expectations of performance to inspire front-line service personnel in individual businesses to extraordinary levels of dedication in meeting customer needs.

Major impact

● Upgrading management. Again, this seems like "motherhood". But with only limited pressure from a tame board, many public companies are, in fact, slow to remove and appoint their most senior management. Corporate parents such as Hanson or Emerson Electric in the US, which demand performance and quickly replace managers who do not perform, can have a major impact on results.

● Transferring relevant skills. By transferring management systems, people, and specific functional expertise from one business unit to others with similar requirements, parents can have a dramatically positive impact on performance. The individual newspapers within the New York Times chain, for example, benefit substantially from the group's skills in newspaper management. Similarly, Unilever's margarine companies, even in smaller markets, are able to draw on worldwide experience in product development, marketing and best operating practices.

● Exploiting real synergies. Business units may be able to derive significant competitive advantage by sharing part of their "business system", such as research and development, purchasing, or a common customer base. For instance, Del Monte's national businesses in juices and canned fruit depend upon its worldwide sourcing capability to deliver superior quality ingredients. Similarly, American Express has been able to launch a series of successful non-card businesses which target its valuable customer base.

● Redefining business units to conform to changed industry economics. The managers of individual business units are often slow to recognise the need to challenge the assumptions which underlie existing boundaries between units. Even when they do, they are likely to lack the necessary objectivity or broad industry perspective to redraw those boundaries. Parents can add significant value by pushing for redefinition. For example, Ford of Europe, in order to capitalise on manufacturing economies, has redefined and subordinated its old country businesses (which combined manufacturing, marketing and sales) to a European marketing and manufacturing organisation, leaving responsibility for sales, service and execution to the country operations. Conversely, other parents have added significant value by splitting their businesses apart – as the oil majors have done in reducing their degree of vertical integration.

Obviously, individual businesses will not need all these levers to be applied in equal measure. Businesses fall into distinct types, each of which benefits most from particular combinations of the levers.

But a corporate parent can only apply the right levers effectively – and thereby justify its existence - if there is a "fit" between the needs of the businesses and its own competences and culture. Each type of business, in other words, has its own characteristic requirements, which must be matched by a particular parenting role.

In our work with major corporations worldwide we have observed three quite distinct parenting roles for adding value to the businesses in a portfolio on a continuing basis (see inset).

Some businesses are best managed as stand-alone units, where accountability can be most clearly attributed, and costly corporate co-ordination eliminated. Often these are mature businesses, where tough financial targets and the right management are the levers which maximise performance. The most appropriate parent for these businesses is a *controller*. Only genuinely effective controllers can justify themselves versus the potential for buyouts.

Sharing skills

Other businesses are best managed to focus on sharing skills, while preserving the independence and initiative of the individual business unit. These are often businesses that must remain locally responsive – such as newspapers or consumer packaged goods – but where important similarities in critical functions transcend geographic boundaries. For these, a *coach* is the best parent.

In some businesses, such as consumer electronics, financial services and certain food categories, the potential leverage from synergies is sufficiently great that they are best managed on a co-ordinated, integrated basis, despite the additional corporate costs this entails, and the increased complexity in motivating business unit managers and holding them accountable. Here, an *orchestrator* can add most value.

For corporate managers, recognising these differing requirements can have far-reaching implications. Portfolios that contain businesses with incompatible parenting requirements are ripe for restructuring – if not by oneself, then by others.

Parents cannot be all things to all subsidiaries. Playing any particular role successfully requires the development of extensive skills, which are embedded in the systems, management style, and other elements of the corporate parent's organisation. A company that is effective with some of its subsidiaries in setting tough, short-term financial targets and achieving maximum individual accountability is unlikely to be equally effective with others in achieving the co-operation and long-range vision required to manage an integrated chain of businesses.

What does all this imply for corporate managers? Most fundamentally, it means that they need to choose a dominant parenting role. The generalist parent can no longer survive the challenges of the raider – it cannot add distinctive value to each and every business superior to that which alternative parents could provide. Companies such as Imperial or Chesebrough-Ponds that have not developed distinctive parenting skills will continue to be broken up by acquisition, with the constituent businesses sold on to genuine corporate specialists, be they a Hanson or a Unilever.

Choosing a role means that corporate management must first analyse the strategic context for each of its portfolio businesses to determine the kind of parent that each requires. Second, it must analyse the existing strengths and weaknesses of the corporate centre: what are the relationships with subsidiaries with which the centre is currently most familiar and skilled? In which areas does corporate management appear to be adding least value? And third, it must test potential roles against the vision of the corporation's future which is held by senior management and other important constituencies.

Once corporate management has settled on its chosen parenting role, it will generally be necessary to reshape the portfolio by focused divestments and acquisitions. At the same time, the centre will need reshaping: old patterns will have to be changed and critical skills built or reinforced. This can be an agonising process. While portfolios can be restructured quickly, it often takes five years or more to build superior corporate skills. So the corporation's potential vulnerability is increased by any delay in starting.

Even for companies whose specialist skills currently make them superior parents, defending this position will be a continuing challenge. Over time, the requirements of the businesses in any portfolio inevitably change, forcing a re-examination of the parenting role and a potential restructuring of the portfolio.

Sigurd Reinton is a Director in McKinsey & Company's London Office and head of the firm's worldwide Corporate Leadership practice. Nathaniel Foote is a Senior Engagement Manager in McKinsey & Company's London Office. This article partly draws on joint research undertaken with Michael Goold and Andrew Campbell of the Ashridge Strategic Management Centre, the authors of Strategies and Styles (Basil Blackwell, £29.50).

THE PROPERTY MARKET

Riding on the crest of a wave

By Paul Cheeseright

HERE ARE some isolated events of the last week or so. Five property concerns in two days either announced intentions to take a Stock Exchange quotation or listed their shares. Walton Commercial Group and Rush and Tomkins said they want to build a huge shopping centre on Merseyside. The London Small Business Property Trust disclosed returns of 23.8 per cent in its last financial year.

The only thing these events have in common is that they indicate the sparkling confidence in the property sector. It is, as we all know, boom time. But simply because the sector is riding high, it is worthwhile mentioning the obvious opposite: a boom does not last for ever.

Let us try to pull together a few of the threads that, on one hand, provide the evidence of the boom and, on the other, draw in some of the signals which could indicate some overheating.

Take the boom first:

● On the Stock Exchange, the FT property shares index has been at its high for the year, gradually moving back towards the peak that was touched in mid-July last year. The estimated earnings yield on property shares is the lowest in any sector of the FT-Actuaries Indices. The property shares index at mid-week was on a price-earnings ratio of 26.88 compared with 12.91 for the 500 share index.

● Industry indices - Investment Property Databank, Jones Lang Wootton and Richard Ellis - have been showing total returns of 20 per cent plus. The Investors Chronicle-Hillier Parker rent index has shown the biggest leap over the last year since 1973 and the pace has quickened since last November.

● Annual results of the major property investment groups like Land Securities, British Land, Great Portland Estates have shown stunning increases in net asset values - 37, 47 and 45 per cent respectively. Results of development companies recently reporting like Regalian Properties and Sheraton Securities have shown marked rises in earnings.

● Starting in the second half of last year, the financial institutions have been returning to the property investment market. The net flow of funds into the sector in the last quarter of 1987 at £738m was one of the highest on record. Allocations for spending this year are said to have increased, although the institutions still seem more comfortable about investing in the South East than in other regions, except for retail. Property unit trusts which, 15 months ago, were having to redeem units can now freely offer them for sale.

● Bank lending to the property sector (of which more later) has continued to grow, and the banks appear to be less cautious about lending outside London and the South East.

● Foreign interest in the property sector has emerged. This is not only a question of bank lending. It also involves direct investment as seen through the purchase of a stake in Stanhope Properties by Olympia & York, developers of Canary Wharf in London Docklands, and direct development by, for example, Scandinavian companies like Reinhold and Skanska. Newcomers to the market include the French savings banks.

So much for the bare bones of the history. What has been happening is that the property industry has been responding to the growth of the national economy. But precisely because it is a response, it is lagging behind the economic movement, so that, even if the economic growth slows, the sector itself should continue for at least the next year to offer total returns of around 20 per cent.

But within that broad pattern, the cycle of growth and slowdown in the property sector is uneven, both in terms of property category and location.

The development response to the shortage of office space in the City of London has taken place and while the jostling for accomodation that has pushed rents sharply upwards continues there are many who believe that rental levels have probably reached a plateau. But there are no signs of a let-up in the rise of West End rents. However, major developments in London Docklands and, over the longer term, at what have hitherto been seen as fringe areas like Kings Cross and Paddington could change the traditional balance of the market.

But the development response to rising demand in regional centres like Glasgow, Manchester, Leeds and Bristol continues. Equally, the industry is busy both meeting and creating demand for office space in the semi-rural surroundings of business parks, a process which is moving northwards.

Shortages of industrial and warehouse space have emerged even in parts of the country which have been the slowest to grow in economic terms. Growing investment interest in what has been a Cinderella sector has brought yields down and the private sector has started hesitantly in the hitherto depressed areas to take over the development mantle of English Estates.

The continuing consumer boom, despite predictions that it may be halted or peter out, has maintained the enthusiasm of the retailers for new space.

The outlook is certainly bullish, but there are clouds on the horizon and some of them could start to drip rain on the over-optimistic in the next year or two.

To begin with, there are two general points. First, the investment drive into property inevitably pushes up land prices and makes cautious developers more cautious about projects in locations other than the obvious and central: this has already taken place in the City of London.

Second, the more optimistic the appraisals of the developers for their new projects, the more sensitive they are to an increase in interest rates.

At the same time though, the Government could push interest rates upwards if it felt that the consumer boom had run out of control. That in turn would dent hopes of further retail property expansion, albeit after a time lag of several months.

Concern about interest rates leads into more specific concerns.

● The Bank of England, which a year ago made clear it was monitoring carefully the rise in bank lending to the property sector, remains on the alert. By the end of the first quarter the total lending figure had passed £15bn, a rise of over 13 per cent on the 1987 final quarter. The Bank is not worried about the aggregate provided the lending is soundly based.

There is no suggestion in this that there is likely to be a repeat of the 1974 crash - the economic conditions are different. But questions are being raised about whether the rush of foreign banks into property lending - over a third of the total outstanding - is backed by requisite expertise in weighing the likely risk of projects.

● Construction costs have been rising as the industry has expanded rapidly to meet the growing demands of property developers.

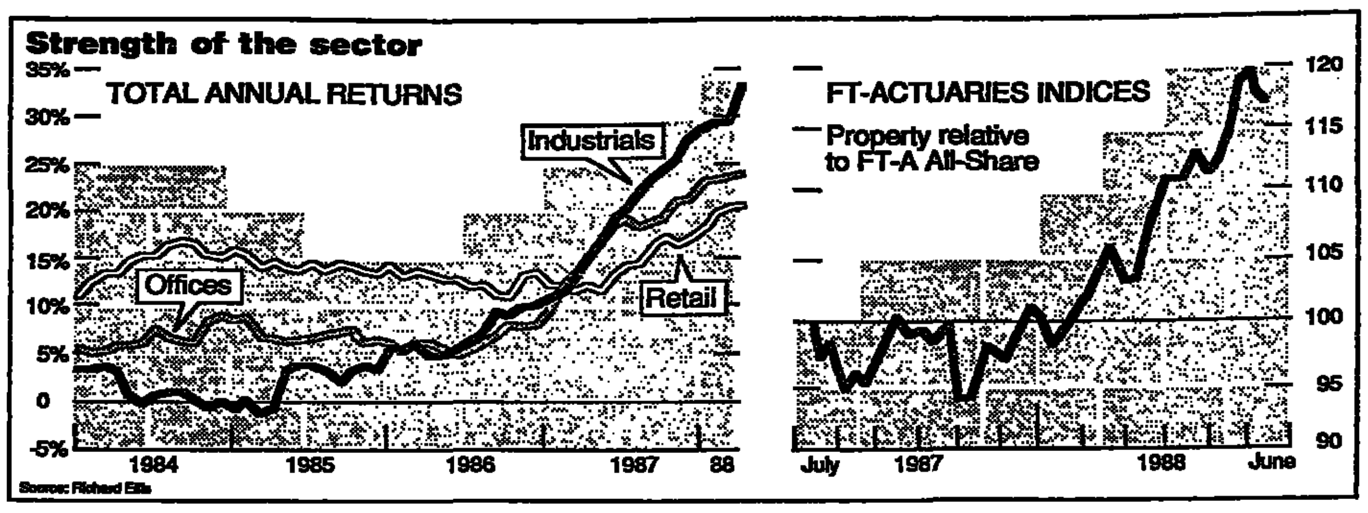
● Developers' costs could rise further should the European Court next Monday rule against the British Government and decide that VAT should be levied on commercial and industrial development. If this does happen, then the Government will come under pressure to make certain that tax changes are introduced gradually.

● It is uncertain how occupiers of space will react to the rating revaluation, the first since 1973, now under way and the introduction of the uniform business rate in 1990. Although the broad lines of an arrangement to phase in the sharpest increases have been settled, the details are not yet known.

If the economy continues to grow and the underlying demand for space remains as strong as it is now, problems about the City of London notwithstanding, then it is quite likely that any of the problems involved with rising costs would be absorbed without too much difficulty.

It would be the confluence of rising costs with a slowdown in economic growth that would be sobering.

Strength of the sector



Source: Richard Ellis

International Property

Company Notices

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Registration No. 11/00007/06

NOTICE TO HOLDERS OF 40% PREFERENCE SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO. 108

With reference to the notice of declaration of dividend advertised in the Press on 25th May, 1988, the following information is published for holders of share warrants to bearer.

The dividend of one rand (R1.00) per share was declared in South African currency. South African non-resident shareholders' tax at 13.054 cents per share will be deducted from the dividend payable in respect of all share warrant coupons leaving a net dividend of 86.946 cents per share.

The dividend on bearer stock will be paid on or after 2nd August, 1988 against surrender of coupon No. 108 detached from share warrants to bearer as under:

(a) At the offices of the following continental paying agents:

L'Européenne de Banque, 21 rue Laffitte, 75428 Paris	Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels	Generale de Banque, 3 Montagne du Parc, 1000 Brussels
Credit Suisse, Paradeplatz 8, 8021 Zurich	Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich	Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle
Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg		

Payments in respect of coupons lodged at the offices of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 27th July, 1988, at the United Kingdom currency equivalent of the rand currency value of their dividend on 27th June, 1988; or
(ii) in respect of coupons lodged after 27th July, 1988, at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 75 cents per share arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	100.000
Less: South African non-resident shareholders' tax at 13.054%	13.054
	86.946
Less: U.K. income tax at 11.946% of the gross amount of the dividend of 100 cents	11.946
	75.000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries, G.A. Wilkinson

London Office:
40 Holborn Viaduct, London EC1P 1AJ

Fifth June, 1988

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 11.946% instead of the basic rate of 25% represents an allowance of credit at the rate of 13.054%.

DeBeers
De Beers Consolidated Mines Limited

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/02154/06

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER
PAYMENT OF COUPON NO. 81

With reference to the declaration of dividend advertised in the press on 9 June 1988, the following information is published for the guidance of holders of stock warrants to bearer.

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons leaving a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 15 August, 1988 against surrender of coupon No. 81 detached from the stock warrants to bearer as under:

(a) At the office of the following continental paying agent:

Credit du Nord
6-8 Boulevard Haussmann
75009 Paris

In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made must be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 5 August, 1988 at the United Kingdom currency equivalent of the rand currency value of their dividend on 4 July, 1988
(ii) In respect of coupons lodged after 5 August, 1988 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 2.25 cents per unit of stock in terms of sub-paragraph (b) above arrived at as follows:

	South African Currency Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident shareholders' tax at 15%	0.45
	2.55
Less: U.K. income tax at 10% of the gross amount of the dividend of 3 cents	0.30
	2.25

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J C Greensmith

London Office:
40 Holborn Viaduct
London EC1P 1AJ

16 June 1988

Note:
The Company has been requested by the Commissioners of Inland Revenue to state:
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

FIDELITY BALANCED PORTFOLIO
Société d'Investissement à Capital Variable
13, Boulevard de la Foire
R.C. Luxembourg B 25910

Notice of General Meeting

A General Meeting of shareholders was scheduled for May 26, 1988, the agenda of which required, for one of its points, a quorum. As this quorum was not present or represented on that date, the meeting was adjourned with respect to the entire agenda.

Notice is hereby given that a second Annual General Shareholders Meeting of FIDELITY BALANCED PORTFOLIO, a société d'investissement à capital variable organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 13, Boulevard de la Foire, Luxembourg, at 11.00 a.m. on July 15, 1988, with the following agenda:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Statutory Auditor;
3. Approval of the balance sheet and income statement for the fiscal year ended January 31, 1988;
4. Election of seven (7) Directors, specifically the re-election of the following seven (7) present Directors: Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton, H. F. van den Hoven and Compagnie Fiduciaire;
5. Election of the Statutory Auditor, specifically the election of Coopers & Lybrand, Luxembourg;
6. Declaration of dividends on the Fund's Class A and Class B shares in respect of the Fiscal Year ended January 31, 1988;
7. Proposal, recommended by the Board, to amend the provisions of Articles 7 and 8 of the Fund's Articles of Incorporation which presently provide that any owner of either or both Class A and Class B shares which constitute in the aggregate more than 3% of the number in the aggregate of shares of both classes the Fund is authorized to issue, may be required by the Fund to redeem that excess amount. The Board recommends that the provisions be amended to permit the Fund to require any beneficial owner of either or both Class A and Class B shares which constitute at any time in the aggregate more than 3% of the aggregate outstanding shares of both classes to redeem the excess.
8. Consideration of such other business as may properly come before the meeting.

The conduct of the shareholder's meeting shall be governed by the quorums required by law. Shareholders are advised that under Luxembourg law no minimum number of shares will be required to be present or represented in order for a quorum to be present at this meeting or for valid decisions to be taken on the items of the agenda. Resolutions to be proposed on item 7 of the agenda will require the concurrence of two thirds of the shares represented at the meeting. Subject to the limitations imposed by the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: June 9, 1988

By Order of the Board of Directors

GPG plc

Notice to the Holders of Depositary Warrants to subscribe for 11,150,000 Ordinary shares of 25p each of GPG plc (the "GPG Warrants")

As a result of the demerger by GPG plc of Guiness Mahon Group Limited on 6th June 1988 and the distribution to holders of Ordinary shares in GPG plc of Ordinary shares of 10p each in Guinness Mahon Holdings plc (on the basis of one Ordinary share in Guinness Mahon Holdings plc for every five Ordinary shares in GPG plc held on 26th May 1988, fractions being ignored) the Subscription Price applicable to the GPG Warrants was required to be adjusted in accordance with the Terms and Conditions of the GPG Warrants.

The Subscription Price before the adjustment was 112p and the Subscription Price after the adjustment is 80.52p per GPG Ordinary share. The adjustment became effective on 6th June 1988.

CHASE MANHATTAN BANK LUXEMBOURG S.A.
DEPOSITARY

ESPIRITO SANTO FINANCIAL HOLDING S.A.
Société Anonyme
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B N° 22.232

Lors de l'Assemblée Générale du 27 mai 1988 les actionnaires ont décidé la mise en paiement d'un dividende de $US 0.50.- par action à partir du 24 juin 1988 aux actions en circulation au 31 décembre 1987 contre remise du coupon n° 1.

Agent payeur:
Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal, Luxembourg

Le Conseil d'Administration

Legal Notices

IN THE SUPREME COURT OF SOUTH AFRICA
(WITWATERSRAND LOCAL DIVISION)
CASE NO.00440/1988

In the matter between:-
FRANCES BARBRO RUXTON RISI (born POTTER) Plaintiff
and
JULIAN LUCIANO MARIO RISI Defendant
To:
JULIAN LUCIANO MARIO RISI formerly residing at 18 FOURTH AVENUE, MAYFAIR, JOHANNESBURG, but whose present whereabouts are unknown:
TAKE NOTICE that by summons sued out of this Court, you have been called upon to give notice within 30 days after publication hereof, to the registrar and to the plaintiff's attorneys of your intention to defend (if any) in an action wherein plaintiff claims:
(a) a decree of divorce
(b) costs of suit in the event of opposition.
TAKE NOTICE FURTHER that if you fail to give such notice, judgement may be granted against you without further reference to you.
DATED at JOHANNESBURG on this 18th day of FEBRUARY 1988.

Registrar of the Supreme Court

ISMAIL AYOB & PARTNERS
Plaintiff's Attorneys
27th Floor
Southern Life Centre
45 Commissioner Street
JOHANNESBURG
REF: P276/PD

DIMOSIA EPIHIRISIS ELEKTRISMOU
(Public Power Corporation)
ECU Denominated Floating Rate Notes due 1997

Notice is hereby given that for the interest period commencing on 21st June, 1988 the Notes will bear interest at the rate of 6⁷⁄₁₆% per annum. The interest payable on 21st September, 1988 against coupon No. 8 will be ECU16.4514 per ECU1,000 nominal.

Fiscal Agent
ORION ROYAL BANK LIMITED

SHIPPING AND PORTS

The Financial Times proposes to publish this survey on:

28th June

For a full editorial synopsis and advertisement details, please contact:

Clare Reed
on 01-248 8000 ext 3365

or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY

Art Galleries

LEGER, 13 Old Bond Street. 01-629 3538. GAINSBOROUGH. Two musical masterpieces, 'Abel' and 'Clarges'. Tues 7th June until Wed 22nd June only. 9.30 to 5.30.

LEFEVRE GALLERY - 30 Bruton Street, W1. 01-493 2107. Picasso works on paper. Barcelona, Blue and Pink periods. 15th June - 22nd July. Mon-Fri 10-5; Sat 10-12.30.

RICHARD GREEN, 39 Dover Street, W1. 493 3939 - THE FLOWERPIECE THROUGH THE CENTURIES. Mon-Fri 10-6. Sats 10-12.30

Obituaries

We regret to announce the loss of our dear friend and Principal

Francis M. Greene, Jr.
June 12, 1988

ESTABROOK CAPITAL MANAGEMENT INC.

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
10	11	12	13	14	15	16

MUSIC

LONDON

Camden Choir and London Bach Orchestra conducted by Julian Williamson with Gillian Fisher, Mark Tucker and Michael George. The Creation. Barbican Hall (Mon). (638 8891).

English Chamber Orchestra conducted by Murray Perahia, with Radu Lupu, piano. Mozart. Barbican Hall (Tue).

Royal Philharmonic Orchestra conducted by André Previn, piano. Brahms, Mozart and Dvorak. Royal Festival Hall (Wed). (928 3191).

PARIS

Orchestre Français D'Oratorio, conducted by Jean-Pierre Lore, Elisabeth Brasseur choir. Verdi – Messa da Requiem (Mon). Saint-Roch Church (42.61.93.26).

Orchestre National de France, conducted by Rudolf Barshai, Bruno-Leonardo Gelber, piano. Beethoven (Tue). Théâtre des Champs Elysées (47.20.36.37).

Orchestre de Paris, conducted by Pascal Verrot, Maria Joao Pires, piano. Berlioz, Chopin, Landowski, Strauss (Wed, Thur) Salle Pleyel (45.63.07.96).

Nouvel Orchestre Philharmonique, conducted by Janowski with Radio France Choir. Strauss, concert version of Arabella (Tue, Thur) TMP-Chatelet (42.33.44.44).

BERLIN

Berlin Philharmonie, The Berlin Philharmonic Orchestra, conducted by Seiji Ozawa, Handel, Wagner and Bruckner. (Tue, Wed).

ITALY

Venice, Teatro la Fenice. Peter Maag conducts Ravel and Berlioz (Thur). (5210161).

Florence, Teatro Communale. Vladimir Ashkenazy playing Schumann and Chopin (Wed). (2779236).

NEW YORK

Orford String Quartet, William Schuman (world première). Murray Schafer (Tue). Kaufmann Hall (996 1100).

Sarah Voynow, harp recital, Debussy, Da Falla and English folk songs of the 15th century (Wed.12.30, free). Juilliard Concerts at the IBM Garden Plaza, 56th & Madison.

Oberlin Contemporary Ensemble, Gregory Fulkerson, violin, Peter Takacs, piano, Edward Miller, Michael Daugherty, Nicholas CK Thorne, Berio (Wed). Merkin Hall (362 8719).

New York Chamber Symphony, Andrzej Panufnik conducting. All-Panufnik programme (Thur). Kaufmann Hall (996 1100).

EXHIBITIONS

LONDON

The Royal Academy. Cezanne - The Early Years 1859-72. A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the seminal figures of the modern movement. Although he came to greatness in his middle and later years, his early period, far from being inconsiderable as had been generally supposed, is now revealed in all its complexity and contradictory quality, with many great works to set among the youthful experiments and failures. Ends August 21.

The Royal Academy Summer Exhibition. The 220th Summer Exhibition in an unbroken sequence, and still the largest open exhibition of current painting, sculpture, prints and architecture in the world. With 1,261 exhibits chosen from a submission of something above 12,000, the show is a little smaller than usual, but as dense and bizarre as ever with many good things to be discovered, a gratifyingly large number supplied by the Academicians themselves. Daily until August 7.

Barbican Art Gallery. Art or Nature. A thorough survey of French photography in the 20th century, as part of the Images de France festival. The exhibition is especially strong in the attention it gives to the great individual photographers of the period, such Kertesz, Cartier-Bresson, Brassai and Atget. End July 17.

The Hayward Gallery. (Two exhibitions). Angry Penguins is a fascinating study of a group of young painters active in Melbourne during and just after the Second World War. Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. Also: paintings from the Phillips Collection in Washington. An enthralling selection from one of the great private collections of modern times. Its scope extends from the 16th century to the present day, from El Greco, through Goya and Ingres to Francis Bacon; the collection is still not closed. Its great strength is nevertheless in Impressionism and Post-Impressionism – Renoir and Cezanne, Braque and Picasso, Bonnard and Matisse. Both shows run until August 14.

British Museum. Ukiyoe – Images of Unknown Japan. This large exhibition of exquisite quality brings to us, through the work of the greatest masters of the wood-block print, the magical "Floating World" of pleasure and the senses that was the city of Edo (modern Tokyo) in the time of the Shoguns – from the 1600s until the 1860s, when Japan was closed to the outside world. Until August 14.

National Portrait Gallery. Paolozzi Portraits. A small but intriguing show of a body of recent work on a subject that has fascinated the Scottish sculptor, Eduardo Paolozzi, throughout his long international career. Of particular interest are the self-portraits, and also the several working studies of the architect, Richard Rogers. Until August 7.

NETHERLANDS

Amsterdam. Tropenmuseum. The arts and crafts of Indonesia, illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

Amsterdam. Rijksmuseum (rear entrance). Divine Bronzes (some no more than 5cm high) illustrate the stylistic development of Indo-Javanese religious images from the 7th to the 16th centures and their role in transmitting culture from India and South-East Asia to Indonesia. Ends July 31.

PARIS

Galérie Schmit. French masters of the 19th and 20th century. The discreetly luxurious three storey gallery plays host, yet again, to an exhibition spanning a period rich with creativity and diversity. There is a darkly romantic portrait by Delacroix and an almost abstract Nicolas de Stael landscape. There is a rare Pissarro portrait of his son, Lucien, seated against a window and an early Picasso scene in a restaurant. A still life with a hyacinth and apples by Gaugin surprises by its tenderness, as does Corot's young Italian woman with a red shawl. 396 Rue Saint-Honoré (42.60.36.36). Closed Sundays and lunchtimes. Ends July 16.

Pavillon Des Arts. The magnificence of silversmiths' work in India during the reign of the Moghuls testifies to their love of luxury. Everyday utensils like scissors, knives, betel nut and cosmetics boxes are chiselled and adorned with filigree open-work as richly as ceremonial objects and armour. 101 Rue Rambuteau (42.33.82.50). Closed Mondays and holidays. Ends July 17.

Galérie Odermatt-Cazeau. Guillaumin's deep blue of the Mediterranean, framed by green pine trees and orange earth, entices the passer-by into an eclectic exhibition of some 50 works by the masters of the 19th and 20th century. A monumental 1937 wooden sculpture by Zadkin watches, totemlike, over a representation of a seated woman by Picasso, a pastel of two dancers by Dégas, and another by Ganghin, showing two boys fighting. Monet is there with a Giverny landscape, and an unusually structured Bonnard projects a colourful view of Saint-Tropez through a gap between two tall buildings. 85 bis Rue Faubourg Saint-Honoré (42.66.92.58). Ends July 30.

Daniel Malingue Gallery, Baltasar Lobo's work is a hymn to the eternal woman. In perfect harmony with the material he uses, the Spanish sculptor celebrates with equal mastery the gracefully slender body of a young girl and the full-blown beauty of a mother playing with her child. The purity of line of the smooth bronze comes near to abstraction at times, yet the sensuous femininity is always there. 26 Avenue Matignon (42.66.60.33). Ends July 9.

Grand Palais. Le Japonisme. 400 exhibits bear witness to the enthusiasm which swept the Western art world for all things Japanese in the second half of the 19th century. Monet decorated his house – even his doors – in Giverny with Japanese prints and built a Japanese bridge in its gardens. Van Gogh collected cheap Japanese woodcuts and represented them in his paintings. Couturiers were inspired by Kimonos, and glass makers and porcelain decorators by Japanese motifs. Closed Tue (42.56.09.24). Ends August 15.

Chateau de Bagatelle. Count d'Artois' Folly, built in record time in the Bois de Boulogne in reply to a dare by Marie-Antoinette, his sister-in-law, has come to life in all its exquisite 18th century splendour thanks to a group of Paris antique dealers. For two weeks lyre-shaped chairs face preciously worked cabinets, and an ensemble of Sèvres porcelain adds the gilded bronze lustre of its settings to the strong colours of a Savonnerie carpet. From 3pm till 6pm. Ends July 3.

NEW YORK

American Craft Museum. An ambitious show that traces the history of American architecture back to the turn of the century and emphasises the work of artists like Tiffany, Lawrie and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

Pierpont Morgan Library. Over 300 items from the life and art of Beatrix Potter show the evolution of the artist and her work. Included are the illustrated letter, discovered only months ago, to Noel Moore that became the basis of Peter Rabbit and the entire sequence of 22 watercolours from The Tailor of Gloucester, lent by the Tate Gallery. Ends Aug 21.

National Gallery (East Wing). To mark the 350th anniversary of the first Swedish colony in North America, the exhibition covers four Swedish monarchies in the 16th and 17th centuries and shows Sweden as a resplendent and aggressive world power through objects and 100 paintings on loan from the Royal Treasury, the National Museum and the royal collections. Ends Sept 5.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

WASHINGTON

National Gallery. More than 60 masterworks, from a superb 16th-18th century collection of Munich's Alte Pinakothek, include paintings by Rubens, Rembrandt, Titian, El Greco and Van Dyck. Ends Sept 5.

ITALY

Venice, Palazzo Grassi. The Phoenicians. The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attemps to give a complete picture of this extraordinary people, who dominated trade in the Mediterranean for over 1,000 years before their capital, Carthage, was finally destroyed by the Romans in 146 BC. Organised by Professor Sabatino Moscati and sponsored by the Accademia dei Lincei in Rome, the exhibition has been given a highly theatrical presentation by the architect Gae Aulenti. Sarcophaghi project at odd angles from a pile of pink sand on the ground floor of the Palazzo; in an upstairs room, model ships stand immobile in a rippling artificial lake, and a huge polystyrene wave engulfs a Phoenician wreck. Not particularly legible graffiti run across the walls – comments on the Phoenicians by contemporaries and later writers. Many of the 1,200 objects displayed (gold and silver jewellery, statues and reliefs in terracotta, bronze and ivory) are extraordinarily beautiful and the 750 page catalogue, published by Bompiani, is excellent. Until Nov 6.

Venice, Fondazione Cini (Isola di S. Giorgio). Paolo Veronese. An intelligently presented exhibition to mark the fourth centenary of Veronese's death, two-thirds of which is devoted to preparatory studies for his major works in Venice. The last few rooms contain 22 paintings, including several masterpieces lent by US and European Museums. Until July 10.

Rome, Museo Del Folklore (Piazza S. Egidio). Goethe In Italy, organised by the Goethe Museum in Dusseldorf and the Arbeitskreis Selbstandiger Kultur-Institute in Bonn, includes a mixed collection of objects connected with Goethe's two visits to Italy (1786-1788 and 1790) and gives a vivid idea of the essential equipment for a late 18th century traveller in southern Europe (a pair of pistols, tables of exchange rates, folding writing-desk, and maps of the scanty post-chaise routes, and of the wildness of the terrain covered). On show is a copy of his friend Tischbein's portrait, Goethe in the Roman Countryside, and engravings, drawings and watercolours by Piranesi, Hackert, Kniep, Pinelli and Goethe. Ends July 3.

WEST GERMANY

Cologne, Romisch-Germanisches Museum. Caesar's Glass. This exhibition is the most important display of Roman glass ever staged. It covers the period from Caesar to Justinian, from the first century BC to the 6th century AD. The 162 pieces are mainly goods from everyday life. The show is a joint project between the Corning Museum of Glass, New York, the British Museum, London, and the Romisch-Germanisches Museum in Cologne. The exhibition is sponsored by Olivetti and runs until August 28.

TOKYO

Japan Folkcraft Museum (Nihon Mingeikan), Komaba. Prints by Munakata Shiko and pottery by Kawai Kanjiro. A special exhibition commemorating the centenary of the birth of the founder of the Japanese folkcraft movement, Soetsu Yanagi. Includes works by the movement's two leading practitioners, Kanjiro Kawai and Shiko Munakata. Munakata's wood-block prints are bold and vertiginous (he was near-sighted from youth onwards), while Kawai's pottery is distinguished by its brightly coloured glazes. This superb collection of crafts from all over Japan is housed in a replica of an old farmhouse building which accords perfectly with the unselfconscious beauty of the objects. Closed Mondays. Ends June 26.

Tokyo National Museum of Modern Art, Takebashi. René Magritte. Magritte's paintings of dapper little men in dark suits and bowler hats and floating like clouds should appeal to all Japanese "salarymen" who dream of escape from the daily grind. Closed Mondays. Ends July 10.

Goto Museum. Chinese ceramics from the Goto collection. This is one of Tokyo's best small museums, housing an excellent collection amassed by railway tycoon, Goto Keita. There is also a pretty, unkempt garden. Closed Mondays. Ends June 26.

VIENNA

Rathaus. Wien 1938. Vienna's city hall is commemorating the Anschluss, the German annexation of Austria in 1938, with a large and courageous exhibition which shows how Austrians reacted to Hitler's march into Vienna, and the eclipse and eventual destruction of the Jewish culture. Ends June 30.

Museum of the 20th Century. First exhibition in Austria of works by Friedrich Kiesler, painter, sculptor, architect and designer who was born in 1890 in Czernowitz, now part of the Soviet Union but once part of the Habsburg Empire and later studied in Vienna before moving onto New York in 1926. Ends June 19.

Messepalast. Imago Mexico. A rich, exotic collection of Mexican art, photographs and graphics from 1900 to 1960. Ends July 31.

SWITZERLAND

Martigny, Fondation Giannadda. From Raphael to Corot. The masterpieces on loan from Sao Paulo's Museum of Art cover a greater stretch of European art than the title suggests. Beginning with a 13th century hieratic Madonna, they continue with Jerome Bosch's obsessive fantasies of Saint Anthony's temptation. A handsome young aristocrat by Lucas Cranach is next to the towering black figure of Count Olivares by Velazquez. There is a moving self-portrait by Rembrandt and a portrait of a Cardinal in his red robes by Goya. There is a Chardin and a Fragonard, Reynolds and Gainsborough, while the fashionable chronicler of the Belle Epoque, Giovanni Boldini, closes the exhibition. Open all day. Ends June 26. (026 22978).

THEATRE

LONDON

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing. Author directs good young cast of comedians including Rik Mayall and Stephen Fry. (836 2294, credit card bookings 240 9661).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244; credit cards 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the outstanding vaudevillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous diplomat Sir Les Patterson touches new heights of degradation. (836 2660/4143).

Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly taut and clever entertainment. (836 6404; credit cards 379 6233).

NEW YORK

Fences (46th Street). August Wilson hits a home-run with a powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

A Chorus Line (Shubert). The longest-running musical ever in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her award winning solo performance of the crazy people who inhabit her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670).

CHICAGO

Pal Joey (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, follows in haunting melodies the escapades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 3800).

TOKYO

Kabuki (Kabuki-za). Kabuki-za is celebrating its 100th anniversary this year, presenting both perennial favourites and new works with leading actors throughout the year. Takeda Shingen, O-Matsuri at 11am; Honcho Nijushi-ko, Shunkyo Kagami-jishi, Banzui Chobei at 4.30pm. For those with little time at their disposable, tickets are available (on the day only) for a single act. Excellent English earphone commentary. Ends Jun 27. (541 3131).

Opera-za no Kaijin (better known as The Phantom of the Opera) plays at the Nissei Theatre. The fact that Andrew Lloyd Webber's affectionate tribute to Victorian melodrama is getting a Tokyo production so soon after London and New York is more a tribute to the mighty yen than to Tokyo's theatrical and musical pre-eminence. (320 9000).

The Mahabharata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris. Ends July 27. (535 0555).

Hamlet (Ebisu Dai-2 Factory). This studio production by Japan's most innovative director, Yukio Ninagawa, makes use of two translations, one old and one new, but Ninagawa has left it up to his actors to decide which one to use – and when. Ends June 29.

Knee Play (Awara Hall). Devised by Robert Wilson, the master of performance art, with music by David Byrne of Talking Heads. This production was created in 1984 and, according to the publicity hand-out, "uses the stage as a three-dimensional canvas to create poetic images." (Wed,Thurs). (209 7860).

AMSTERDAM

Stadsschouwburg. The English Speaking Theatre of Amsterdam continues its 10th anniversary summer season with Beyond Silence, a multi-faceted exploration of the female imagination. (Tue to Thur). (24 23 11).

OPERA AND BALLET

LONDON

Royal Opera (Covent Garden). The revival of the Elijah Moshinsky production of Lohengrin intended for Placido Domingo returns without him. Eberhard Buchner, Cheryl Studer and Gabriele Schnaut take the leads, and Jeffrey Tate conducts. Moshinsky's stark version of Verdi's Macbeth returns with the original baritone – Renato Bruson – in the title role, Elizabeth Connell as Lady Macbeth, and Edward Downes as conductor – all in superb form. For what may be her farewell appearances here, Joan Sutherland, in rather united form, leads a glossy, second-rate new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts and the cast also includes Susanne Mentzer, Dimitri Kavrakos and John Aler. (240 1066).

English National Opera (Coliseum). The company borrows David Pountney's Welsh National Opera production of Janaček's Cunning Little Vixen for its first Coliseum showings. Anne Dawson and Norman Bailey are vixen and forester, and Mark Elder conducts. In place of the cancelled Ken Russell Tannhäuser, Fidelio is revived with members of the original Wagner cast: Kathryn Harries, Graeme Matheson-Bruce, Neil Howlett, and conductor Kees Bakels. Also in repertory: Nicholas Hytner's new and wholly delightful Magic Flute production, with Thomas Randle, Susan Bullock, Nicholas Folwell, and John Connell.

Ballet Rambert (Sadler's Wells). Varied programme. (278 8916).

PARIS

Cologne Opera (Théâtre des Champs Elysées). La Gazza Ladra conducted by Iwan Fischer is a vivacious and colourful production which brings to life Rossini's mixture of comedy and pathos. The opera semi-seria is co-produced by the Paris Opera and the Théâtre des Champs Elysées (47.20.36.37).

Paris Opera (Palais Garnier). La Celestina. A 15th century Spanish tragi-comedy is the basis of Maurice Ohana's modern opera about a famous procuress. (47.42.57.50).

Ballet Cullberg (Théâtre de la Ville). Mats Ek and his Ballet Cullberg with two programmes from Sweden. (42.74.22.77).

AUSTRIA

Vienna, Staatsoper. Pelleas et Melisande by Debussy – conducted by

Continued on Page 17

ARTS

Cinema/Nigel Andrews

Not what it's crocked up to be

Crocodile Dundee 2 directed by John Cornell
Shy People directed by Andrei Konchalovsky
Maybe Baby directed by John G. Avildsen
Prison directed by Renny Harlin

The croc of gold is back. *Crocodile Dundee 2* is the sequel to last year's money-spinning amphibian and is breaking box-office records across America even as we speak. Once more, clad in crocodile-skin waistcoat and bronzed smirk, that amiable fellow from Down Under shows he has more commercial clout that anyone else in cinema today, up to and including America's own greatest audience-mugger Sylvester Stallone. *Croc 2* is currently outpacing even *Rambo 3* at the U.S. turnstiles.

It is all too much for this critic. It has always been my hope, even when I do not like a popular film, to put forward to my readers reasons why it might be popular. (Say, sex, violence or runaway sentimentality). But *Crocodile Dundee*, 1 and 2, is that consummate baffler, a hit comedy saga that is not (to me) very funny. Even the largely public audience I saw the film with were less than convulsed with mirth, as our lovable hero is this time shoved by director John Cornell through the dreariest comedy-thriller plot imaginable. It starts in Manhattan, ends in the Australian outback and rips off *Romancing The Stone* along the way. (There are kidnappings, contraband, murder threats and incriminating photos.)

I laughed one and a half times in the first hour: once when Mr Dundee innocently ruins a department-store snake charmer's act by strangling the snake, and again when he falls off a ledge in horror when the high-rise suicide he is helping reveals himself to be gay. (You stop half way through your laugh when you realise that the biggest guffaws at this will probably come from the Homophobes-for-Clause-28 crowd.) In the second hour, you can beat the movie in vain for a single witty line or clever gag. A friend who had not seen *Croc 1* turned to me at the film's end and said: "This *is* meant to be a comedy, isn't it?"

Search me, cobber. The vapidly attractive Linda Kozlowski does sex-appeal duty again as our hero's bird, and John Meillon returns as Mr Dundee's Aussie sidekick. There is also the odd expressive crocodile, whose drooping eye looked like a malicious but perceptive parody of my own. As for Mr Hogan, the leathery grin and laid-back twang obviously charm world audiences out of the trees. I shall have to work out the why and wherefore of my insensitivity to those charms, or of the rest of the world's gullibility to them. Perhaps in today's climate of global tensions, killer sexual diseases and image-packaging politics, innocence, however whimsical or witless, is a world-beating commodity.

*

Andrei Konchalovsky's *Shy People* is another Wilderness-versus-Civilisation fable and a funnier one than *Crocodile Dundee 2*. It is not meant to be funny, but never mind that. Just delight in the gourmet follies of a movie which has Jill Clayburgh (New York writer for Cosmopolitan) visiting her long-lost relative Barbara Hershey (backwoods widow and mother) deep in the Louisiana bayous.

For why? Because Miss C wants to write a story. "You know Grandad's brother" she says to her daughter on eve of departure, "who went down to Louisiana and became a sort of outlaw." Well, whether she does or not, that is to be the story. So off march mother and daughter, pens akimbo, to Baton Rouge and points south.

The bayous are that wonderful territory, half swamp, half forest, where America always goes to touch its primitive roots. (See films like *Southern Comfort* and *No Mercy*). Moss-hung trees grow from snake-infested waters, elastic Southern accents lasso the air, and the population, at least according to the movies, is semi-loony.

Take Miss Hershey. She lives in a charming old swamp-edge shack with her three innocently batty sons, who are soon being corrupted by the drug-carrying Clayburgh daughter. Hershey's fourth son, whose face is scratched out in all the family photos, is "dayyad." (Southern for dead.) Actually he went to live in town, and that for Mum, on account of civilisation's corrupting influence 'n' all, is the equivalent of being dayyad.

We too visit the corrupting town briefly, where Miss Clayburgh inspects the tumble-down strip joint where drunken rednecks ogle ladies with sagging flesh. While there, she also buys a TV set for the Hershey household. I could have told her this was a mistake. Miss H will not be at all grateful. (And who could blame her? Before she knows it, she will be tuning in to the likes of Dr Ruth or Pat Robertson and her mind will never be the same again.) "Don't you see that I can help you, I'm from Cosmopolitan magazine," bleats Clayburgh vainly, as Hershey resists all kindness and blandishment.

So the long day wears on. The boys get high on drugs and alcohol, the women get low on memory-swapping and despair, and the daughter is more or less raped. It all ends in the swamp waters, complete with ghosts and near-drownings. Ex-Russian Konchalovsky directs the film as if giving us another lesson in how the West is a sink-of-iniquity and/or a prison (see *Runaway Train*). But I am unimpressed by the claim implicit in his work that he knows us better than we know ourselves. As his past films have showed, his idea of Western realities is capable of embracing Nastassja Kinski as a Pennsylvania peasant (*Maria's Lovers*) and Julie Andrews as a tortured violinist (*Duet For One*). A man who can believe in either of those can believe in anything. His audience, on the other hand, may be less credulous.

*

In the rest of the great board-game called cinema this week, you can go to prison or have a baby. If you choose the second, you will land on a square called *Maybe Baby* This will fill you in on anything you might not have learned about toddler-care from such experiences as *Baby Boom* and *Three Men And A Baby*. For instance: if you are an unmarried teenage father-to-be (Randall Batinkoff) in Kenosha, Wisconsin, do not be discouraged if your Dad (Kenneth Mars) responds to the news of your impending parental status by saying, "You had a gerbil last year and you forgot to feed it and it died." Dad is a tiresome old primitive who would probably be happier living in the Louisiana swamps.

Equally, if you are Mr Batinkoff's girlfriend and a prospective unmarried mother (Molly Ringwald), do not be worried if the plot synopsis says you are a teenager but you look about 23. Pregnancy can have this effect, and so can Hollywood's attempts to extend the natural life of the Brat Pack. Just have the baby and get on with it.

John G. Avildsen directs this syrupy farrago from a script by Tim Kazurinsky and Dennis DeClue. I recommend the small claims court for anyone wishing to press charges concerning Bill Conti's tinkly-maudlin music.

Your other move, wiser but only just, is to go to *Prison*. Do not pass "Go," do not collect £200, but do take a bag of popcorn with which to stifle your gasps or giggles. As exploitation films go, this one goes berserk. We are in an abandoned U.S. prison that has been rashly reopened to house a crisis in the prison population. (Home Secretary, please do not take note.) The combination of a psychotic warden (Lane Smith) and supernatural happenings – one convict is garrotted by telekinetic barbed wire, another spontaneously combusts in solitary – help to spark a prison revolt.

This barrel-scraper is directed by Renny Harlin for Empire Productions, an outfit specialising in bare-faced B-movies with a hint of the tongue-in-cheek. But here a few camp chuckles do not make up for long stretches of tedium. Most noted newcomer in a largely unknown cast is Viggo Mortensen, a Sam Shepard-lookalike who plays the hero, a returned-from-the-dead electric chair victim. "After this movie wraps," says Mr Mortensen in the Press notes, "I'm thinking about going into goat-herding." There speaks the wisest man of the week.

Paul Hogan in "Crocodile Dundee II"

Jill Clayburgh and Barbara Hershey in "Shy People."

The Traitor/Young Vic Studio

Martin Hoyle

"All clear behind the arras?" nervously queries a conspirator, evidently a playgoer who knows how these things are done. In fact Depazzi (apparently referred to, aptly, as "the patsy" by the Renaissance court) is the most interesting character in Medicean Florence, longing to retire to his country acres, to doze on the magistrate's bench, hold open house and cuckold the yeomanry – in short, become an English squire.

The enterprising Floorboards company have produced the first revival for exactly a century of *The Traitor* by James Shirley. He was the Stuart playwright who died, with his wife, of shock and exposure after the old couple had lost their home in the Fire of London. His *Hyde Park* has proved a resounding success for the RSC: flexible, rangy and intelligent. *The Traitor* is more conventional, but in Michael Fry's confident production eminently worth rediscovering.

The plot fleetingly anticipates de Musset's *Lorenzaccio*: nasty Lorenzo schemes against his ducal cousin, a lecher capable of remorse and reform butotherwise not much better.Echoes of other works abound: a brother exhorts his virtuous sister to sin first to test her (*Revenger's Tragedy*), then in desperate earnest (*Measure for Measure*). *Revenger* is also recalled when the Duke unwittingly jumps into bed with a corpse ("What winter dwells upon this lip?"). Problems of the semi-divinity of rulers, even the unjust ones, and of the people's common wealth remind us of the Civil War and the author's loyalty, despite all, to the Royalist cause.

Dominic Letts brings to the honour-obsessed Schiarrha a passionate approach that may not be quite fraternal (shades of *'Tis Pity*!); and the whole is shot through with uncluttered, clean-limbed language that rises to poetry in such moments as the virginal Amidea's description of her bridegroom, death – part epithalamium, part threnody. Anne Gruenberg's set surmounts a row of black curtains with painted Palladian windows at first-floor level. The production avoids all the traps: lines like "I never heard such killing stories!" uttered over the climactic heap of corpses rightly get no laughs.

The acting is straightforward. Ayub Khan Din has an impressive stage presence and potentially immense authority as the scheming Lorenzo, but he could vary his tonal delivery more. Mr Letts is frenzied, with a nice streak of naturalism, as is Christopher Luscombe's Depazzi – touches of a helpless Leslie Phillips. Tamara Steele's Amidea is equally promising. Supporting roles, some unsexed, are vigorously played.

Goehr/Almeida Festival

Max Loppert

Among the many marvellous features of the Almeida Festival must be counted the willingness to explore a wide range of contemporary music – not just the new names of fashion, but the not-so-recent figures on the post-war musical scene.

Wednesday's Arditti Quartet recital had a 1950s-ish feeling to it – there were works, tough nuts most of them, by Alexander Goehr, Morton Feldman, and Bernd Alois Zimmermann which seemed to represent different facets of that era, plus a string-quartet realisation of John Cage's Music for Four (1985), which lasted well beyond half an hour, and which seemed to belong to no era and no world other than that of classic Cagean self-indulgence. The fact that there was a decent-sized audience for what in other London halls would doubtless be a crowd-diminishing programme is further proof, if proof is still needed, of the genuine and exhilarating festival atmosphere, the sense of adventure, that the Almeida has created. In these culturally simplistic and simple-minded times, what a tonic this is!

Apart from Feldman's 1951 *Structures*, soft-voiced, gently repetitive, and quietly compelling, it was Goehr's First String Quartet which provided the most rewarding experience. This work was given a single performance at the 1959 Dartington Summer School, and then disappeared until recently, when Goehr revised it. It is very much early Goehr and post-Second-Viennese-serial – the influence of Berg's string quartet writing is apparent on every page, and the dedication to Pierre Boulez is itself revealing.

But the personal voice that Goehr was to develop as much by modifying these influences as by consolidating them comes out with sudden, startling clarity in the finale, where the need to provide a convincing conclusion produces some fiercely impassioned, dramatically crosscut counterpoint flying across the four parts and suddenly bitten off with great fury in the final bars. Like all the other works in the programme, it was played with amazing vigour, confidence, and commitment by the Arditti.

New trends and a new freedom found in the festival labyrinth

Ronald Holloway reports on the 21st National Festival of Soviet Cinema in Baku.

There was talk in the offices of Goskino of bypassing Baku, this year's scheduled host-city for the 21st National Festival of Soviet Cinema, in view of the Azerbaijani-Armenian problem. One proposal was to transfer the entire event to Riga, the site of next year's national film festival (it moves round the republics over the span of a decade and a half). But at the last minute it was decided to hold the national festival in Azerbaijan after all, and to everyone's apparent relief the film week in Baku went off without a hitch – and with a delegation of filmmakers from neighbouring Armenia.

Unless the Western visitor has at least a rudimentary knowledge of Russian, national festivals in the Soviet Union are somewhat like groping one's way blindly through a carnival hall-of-mirrors. On the other hand, the festival labyrinth in Baku offered daily surprises, not the least of which being the pleasure of talking about film openly and without reservation with directors from across the country.

As for the competition entries, these did not play as important a role for the filmmakers as the in-house meetings, particularly those held impromptu in hotel rooms by studio directors from the various republics, most of whom had been newly elected by democratic vote within the past year. Since only two dozen feature films competed for honours (in addition to as many shorts and documentaries), only a sample of the year's productions could be viewed on a tight schedule over a crowded week. Each studio had to pre-select a representative handful of across-the-board productions from its entire annual output – no easy task.

For the second year in a row, the Grand Prix was awarded to a previously shelved film: Andrei Mikhalkov-Konchalovsky's *Asya's Happiness* (Mosfilm, 1967/87), already seen abroad at the Berlin festival in a special late-night screening. The fiction-documentary, featuring mostly non-professionals in the key roles, tells a simple, unembellished story about summer adventures on a collective farm far off in the provinces, and on that score alone the formulas of socialist realism in Soviet cinema have, in turn, been effectively resigned to the shelf.

Similarly, the three follow-up main prizes awarded to contemporary films confirmed a broad new line of production innovations supported mutually by Alexander Kamshalov at Goskino and Elem Klimov at the Union of Soviet Filmmakers. Vladimir Khotinenko's *A Mirror for the Hero* (Sverdlovsk Studios), scripted by young, able Nadezhda Kozhushanaya from a novel by Stanislav Rybas, makes effective use of a movie set as the central motif to analyse mistakes of the past in a kind of "looking-glass" context, focussed on the socio-political conflicts tearing apart a Siberian mining community in 1949.

Nodar Managadze's *Hey, Maestro!* (Gruziafilm Tbilisi) also examines human failings in close-up: this Georgian road movie about a talented pianist who forsakes the good life to earn his bread as an itinerant piano-tuner takes the viewer from a monastery at the outset into private homes and subsequently right into the midst of a black-market operation. And Oktai Mir-Kasimov's *The Devil on the Windshield* (Azerbaijanfilm Baku), although lacking professional polish, hits hard nonetheless at corruption in higher places, and its ultimate message is the power of a crusading press (a rare subject in Soviet cinema up until now).

Competition entries from some studios indicate that the initiative has already been taken to set new trends. At the Odessa Studios, for instance, Kira Muratova appears to have accepted the responsibility to adapt Somerset Maugham's story *The Letter*, now that *Change of Destiny* has achieved its immediate aim as an aesthetic breakthrough and negotiations with the writer's estate are in progress to resolve the question of international copyright to permit showings abroad. I hope permission is forthcoming, for the film's treatment of the moral issues of infidelity, murder, and suicide on the screen undoubtably places Muratova in the vanguard of conscientious Soviet film artists today.

Other entries were not so innovatory: Victor Buturlin's *The Gardener* (Lenfilm Leningrad), set in an apple orchard on the edge of a town, came across like an exercise in Chekhovian *auteur* cinema; and Alexander Proskin's *Cold Summer of 1953* (Mosfilm Moscow), familiar Sam Peckinpah Wild West violence transposed to Siberia.

Among new productions and works-in-progress on view in the Azerbaijan Studios, Leonid Osykan's *Come in, Seekers!* (Dovzhenko Studios Kiev) and Vagif Mustafaev's *The Scoundrel* (Azerbaijanfilm Baku), are exceptional in that they plead, respectively, for ecological and social responsibility.

Finally, there was Sergei Parajanov's work-in-progress: *The Hoary Legends of the Caucasus*, a co-production of Azerbaijan Film Baku, Gruziafilm Tbilisi, and Armenfilm Yerevan. Based loosely on Lermontov's poems "Demon" and "Ashik Kerib," it appears to be the completion of a trilogy that began with *Sayat Novar* (1970), another three-republic Trans-Caucasian production, and continued with his recent *The Legend of Suram Fortress* (1986), a Gruziafilm production based on a Georgian legend. All three films make use of the screen as though it were a gigantic canvas, utilising colours and costumes for visual effect. It's a work of magic and myth, a testimonial to a people whose way of life is expressed in jewelry and utensils, embroidery and manuscripts, carpets and paintings, fruits and flowers, and the natural beauty of rivers and mountains. From all indications, a beautiful and lasting piece of cinema.

Karine Georgian/Wigmore Hall

Richard Fairman

This duo recital was an interesting exercise in paying musical tributes. In the first half the Soviet cellist Karine Georgian and the English pianist Moura Lympany each played music from their respective partner's country, and in the second they joined forces for a performance of Rakhmaninov's Cello Sonata, in which the performers are in any case virtual equals.

The view of Britten's Third Cello Suite that Georgian gave us was especially interesting. Rostropovich has, of course, already given us a definitive Russian interpretation of this work, but Georgian's elegance and simple dignity are also affecting on a smaller scale: the bow crossed the strings with immaculate evenness in the awkward arpeggios of the "Barcarolla" and the Russian folk songs at the end were sweetly voiced.

A little more of that simplicity would not have come amiss in Lympany's selection of Rakhmaninov Preludes. The proper Rakhmaninov atmosphere is as heady as ever in this pianist's playing; but in the more complex textures of the B flat Op 23 No 2, and even the favourite G sharp Minor, it seemed that an undue amount of concentration was going into getting all the notes in the right place and not enough was left to sort out the voices or place the chords exactly.

In the Cello Sonata, though, the same composer brought out the best in both of the performers. There is a special vein of romantic lyricism that runs through this work and a cellist like Georgian who can colour the typical Rakhmaninov twist to the minor key in the second movement Scherzo with a subtly darker hue, or build the long vocal lines of the slow movement with no wavering of tension, will always be worth hearing in the piece.

For her part Lympany was a model partner, meeting the solo challenges with an outgoing confidence that few ordinary accompanists would dare, yet receding modestly when the cello has the upper voice. It was good to hear the musical compliments so evenly paid.

Arts guide

June 17-23

Continued from Page 16

Claudio Abbado, with Christa Ludwig, Frederica von Stade, Nicolae Ghiaurov, Malcolm Walker, John Broecheler, Rudolf Mazzola. Werther – conducted by Ulk Schirmer with Agnes Baltsa, Noriko Sasaki, Francisco Araiza, Hans Helm, Peter Wimberger, Malcolm Walker. Ballet: Orpheus by Henze – conducted by Horst Stein with Marialuise Jaska, Jolantha Seyfried, Christian Tichy, Heinz Heidenreich. Die Frau ohne Schatten – conducted by Horst Stein with Eva Marton, Reinhild Runkel, Marjorie Vance, Czeslawa Slania, Peter Koeves, Bernd Weikl.

Vienna, Volksoper. Ein Walzertraum – conductor Herbert Mogg. Die lustige Witwe – conductor, Herbert Mogg. La Bohème – conductor, Ernst Maerzendorfer.

UNITED STATES

New York, New York State Theatre. The New York City Ballet celebrating its 40th anniversary has commissioned 20 works, including five with new scores, that punctuate the Balanchine, Robbins, Martins repertory with pieces by Lar Lubovich and Paul Taylor, among others. Ends June 26.

New York, Lincoln Centre Opera House. Paris Opéra Ballet dancing American premières of works by Robert Wilson (his first ballet), Maguy Martin and William Forsythe in a three-week season that features The Nutcracker and Rudolf Nureyev's refashioned Swan Lake. Ends July 9. (362 6000).

Washington, Kennedy Center Opera House. American Ballet Theater on a fortnight visit that includes new productions of Gaîté Parisienne choreographed by Leonide Massine and Raymonda choreographed by Mikhail Baryshnikov. Ends June 26. (254 3770).

WEST GERMANY

Berlin, Deutsche Oper. Faust, sung in French, takes the leads Nelly Miricioiu, Kaja Borris and Robert Hale. Aida, in Gotz Friedrich's production features Julia Varady, Cristina Anghelakova, Viktor von Halem and George Fortune. Madame Butterfly will be conducted by Guiseppe Sinopoli. Also offered, Salome.(34381).

Hamburg, Staatsoper. Der Rosenkavalier has a strong cast led by Judit Beckmann, Hildegard Hartwig, Hellen Kwon and Franz Grundheber. Faust is revived with Albert Cupido, Simon Estes, Ana Pusar and Gino Quilico. Die Zauberflöte brings Hellen Kwon, Barbara Bonney and Kurt Rydl together. Die Meistersinger von Nürnberg has Hellen Donath, Bernd Weikl and Kurt Moll. (351151).

Cologne, Opera. Ariadne auf Naxos stars Nadine Secunde, Daphne Evangelatos and Scott Reeve. John Pritchard conducts a cast which includes Barbara Daniels, Robert Bork and Lando Bartolini in Manon Lescaut. Ein Sommernachtstraum is a well done repertoire performance. (20761).

Frankfurt, Opera. Der Widschutz is revived with the superb original cast, led by Ilse Gramatzki, Jerrold van der Schaaf, Josefine Engelskamp and Bodo Schwanbeck. (25621).

Bonn, Opera. Norma stars Mara Zampieri in the title role. Kurt Rydl repeats his much-praised performance in the title role in Don Pasquale.

Munich, Bayerische Staatsoper. Der Rosenkavalier is well cast with Mechtild Gessendorf, Brigitte Fassbaender, Julie Kaufmann and Kurt Moll. Die Aegyptische Helena convinces, thanks to Gwyneth Jones in the leading role. Die Frau ohne Schatten has fine interpretations by Mechtild Gessendorf, Brigitte Fassbaender, Ingrid Bjoner and James King. Salome rounds off the week.(21851).

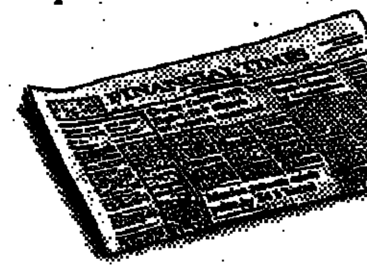
ITALY

Milan, Teatro alla Scala. Nabucco conducted by Riccardo Muti and produced by Roberto de Somone, with Paata Burchuladze, Ghena Dimitrova and Raquel Pierotti and Giorgio Zancanaro (alternating with Paul Plishka, Linda Roark-Strummer and Luciana D'Intino) (80.91.26).

Venice, Teatro La Fenice. Ugo Gregoretti's production of Donizetti's Le Convenienze e Inconvenienze Teatrali (based on a farce of the same name by Simeone Sografi), designed by Eugenio Guglieminetti and Ivan Stefanutti. Angelo Cavallaro conducts a cast which includes Leo Nucci, Simona Marchini and Adriana Anelli. (5210161).

Naples, Teatro San Carlo. Orfeo e Euridice with Lucia Valentini Terrani and Valeria Esposito conducted by Gianluigi Gelmetti and produced by Alberto Fassini, with scenery and costumes by Pasquale Grossi. (417.144).

Genoa, Teatro Margherita. Die Walküre in a new production by Peter Werhahn, designed by Michael Scott and conducted by Christian Thielmann. The cast includes Peter Hofmann (alternating with William Pell as Siegmund), Peter Meven (Hunding), Anthony Raffell (Wotan), Marie Anne Haeggander (Sieglinde) and Olivia Stapp (Brünnhilde). (589.329).



Saleroom/Antony Thorncroft

Grecian liquid gold

A gold cup, made in Greece around 2,600 BC and probably used for ceremonial drinking rituals at a "royal" table, sold for £188,688 at Sotheby's New York on Wednesday. The cup is six inches high, with a soaring spout, and has been linked to an example discovered at Troy by Schliemann in 1873.

In a successful auction of antiquities a Roman marble figure of a lady, minus her head, dated to around 140 AD, made £66,943 and a black marble head of a man, produced in Egypt in the first century BC, realised £41,0798, over four times its estimate.

Christie's had problems with two overseas sales on Wednesday. Some high quality items of 20th century decorative art attracted few takers in Monaco, selling for £406,009 but with a massive three-quarters bought in. A 1935 sculpture by Herbert Haseltine of a horse's head in white marble, commissioned by the people of Nawanagar in India in honour of their Maharajah, was among the casualties, unsold at £70,000. Top price was the £57,977 paid for a Majorelle and Daum table lamp in the form of a lotus flower; it had been estimated at up to £8,000. A Galle vase, "L'Hippocampe" sold for £52,707 as did a black lacquer and ivory bow front chest of drawers made by Jean Dunand.

The two day sale in New York of gold and silver retrieved from the Atocha and the Santa Margarita, two Spanish galleons which floundered on the Florida Keys in 1622, totalled £1,562,974, below expectations. There few takers for the silver bars rescued from the Deep.

Perahia replaces Horszowski at Aldeburgh

Mieczyslaw Horszowski, who celebrates his 96th birthday this month, has had to cancel his piano recital during the Aldeburgh Festival at Snape Maltings on June 19 because of a finger infection. Murray Perahia, one of the Festival's Executive Artistic Directors, will step in with a programme of Mozart, Schubert, and an all-Chopin second half.

This will be Murray Perahia's first solo recital at Snape since 1982.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday June 17 1988

The threat of inflation

ATTENTION turned yesterday to the two economic hares, Japan and the UK. In the second half of last year the gross domestic products of these two countries were growing at annual rates of about 6 per cent. well ahead of other Group of Seven countries. Yesterday's news suggests they continue to lead the pack. There is, however, a key difference between the two. The UK's economic experiment has been described as "Reaganomics without the red ink." Perhaps it should have been called "Japanomics without the savers."

Japan's gross national product in the first quarter of 1988 rose at an annual rate of 11.3 per cent. The expansion is being led by private consumption and investment, suggesting that government fiscal and monetary pump-priming has done its work. With the US economy quite strong and Germany, too, growing more rapidly than expected, a global round of interest rate increases looks increasingly probable.

Meanwhile, fears of inflationary pressure in the UK look increasingly justified. Two items stand out in the data released yesterday: the pressure in the labour market and the state of the balance of payments. Average earnings rose at an underlying rate of 8¾ per cent in the year to April. A year previously the underlying rate of earnings increase had been only 7¼ per cent. Furthermore, the growth of output per head in manufacturing appears to be declining. These trends in wages and productivity are probably the best – and most disturbing – indicators of long term upward pressure on the rate of inflation.

Net invisibles

The interesting part of the revision of the balance of payments. is the decline in net invisibles, the effect being to increase the current account deficit to £2.8bn in the first quarter. If the same figure for net invisibles were applied to the provisional balance of payments figures for April, then the current account deficit in the first third of 1988 would be about £3.5bn, only £0.5bn less than the Treasury estimated for the year. A £10bn deficit for the year is no longer inconceivable.

The UK, like Japan, has high rates of growth of demand, of GNP and of productivity. What it does not have is high domestic savings. Thus, in 1987 the household savings rate in Japan was 16 per cent of disposable income. In the case of the UK, by contrast, the rate was 5.9 per cent, below that of all the major OECD countries, bar the US.

Unless there is a recovery of private savings, the UK will go even further into deficit on the current account. Arguments can be advanced even for learning to love external deficits. Thus, growth of private credit may be a temporary consequence of the portfolio shifts consequent on financial liberalisation. On a more practical level, the global balance of payments adjustment demands that creditworthy borrowers take the slack from the US. Finally and most important, the external account is the main pressure valve for the economy. Any attempt to protect the external account through depreciation would make significantly higher inflation not merely probable, but certain.

Unclear signal

The main concern of policy-makers has to be inflation. Unfortunately, the present combination of variable interest rates with variable exchange rates is probably not giving a clear signal to any individual decision-maker. There is a strong case for fixed exchange rates buttressed by membership of the European Monetary System, but for the moment the option is not available. In its absence, the Government needs to reorient interest rate policy towards the domestic economy. Appreciation of the exchange rate may then occur. It is likely, however, that manufacturing will prove better able to stand the strain than previously.

The UK will be able to sustain the performance of which the Treasury boasts in yesterday's Economic Progress Report only if sustained growth turns out to be consistent with a substantial current account deficit. This stiff test for the Thatcher experiment looks inevitable and, given the limited range of policy-instruments, even desirable. If the UK passes the test, "Japanomics" can, indeed, work without the savings. If not, the Treasury's eulogy may serve as an epitaph as well.

The Soviet disunion

"KARL MARX believed the nationality problem was a specific problem of the 19th century and of capitalism. We know now that it is also a problem of the 20th century and of socialism; and we can be sure that it will be a problem of the 21st century for both capitalism and socialism." So said a Hungarian speaker at last week's Potsdam conference of the Institute for East-West Security Studies.

Uppermost in his mind, no doubt, was the problem of the Hungarian minority in Romania, but he and everyone in the audience were also thinking of the conflict between Armenia and Azerbaijan, two sister Soviet republics in Transcaucasia, which has become Mr Mikhail Gorbachev's biggest headache in the run-up to the all-important special conference of the Soviet Communist Party at the end of this month.

The basic facts in this dispute are simple, and by now well known. The Armenians are an ancient people with their own language and their own brand of Christianity, whose homeland in north-eastern Asia Minor had by the 19th century been divided between the Ottoman Sultans and the Russian Tsars. Like other Christian minorities in the Ottoman empire, they developed strong national aspirations in the course of the 19th century, which brought them into conflict with the empire's Moslem rulers and with their Moslem neighbours (Kurds as well as Turks), culminating in the terrible massacres of 1915. They tended to see Russia, both in the Tsarist period and later under Soviet rule, as more a protector than an oppressor.

Atrocities

Azerbaijan, lying between Armenia and the Caspian Sea, was linked by history and religion (Shia Islam) to Iran, but by language to Turkey. After the collapse of the Tsarist regime in 1917, Azerbaijan's local nationalists were supported by the Ottoman empire, whose troops broke through to Baku in 1918. Azeri and Ottoman Turks made common cause against the Armenians, and atrocities were committed by both sides.

The border between the two republics was fixed, by a series of arbitrary and almost accidental decisions, in the extraordinary turmoil which affected the whole region at the end of the First World War. Nagorno ("mountainous") Karabakh, an area of overwhelmingly Armenian population, found itself in Azerbaijan. Its status as an autonomous region appears to have amounted to very little in practice. The inhabitants feel themselves to be the subjects of an alien government, at best indifferent and at worst hostile. Their overwhelming wish is clearly to be joined to Armenia, and the overwhelming view of the Armenians, now endorsed by their Communist Party leader and their Supreme Soviet, is that the wish should be granted.

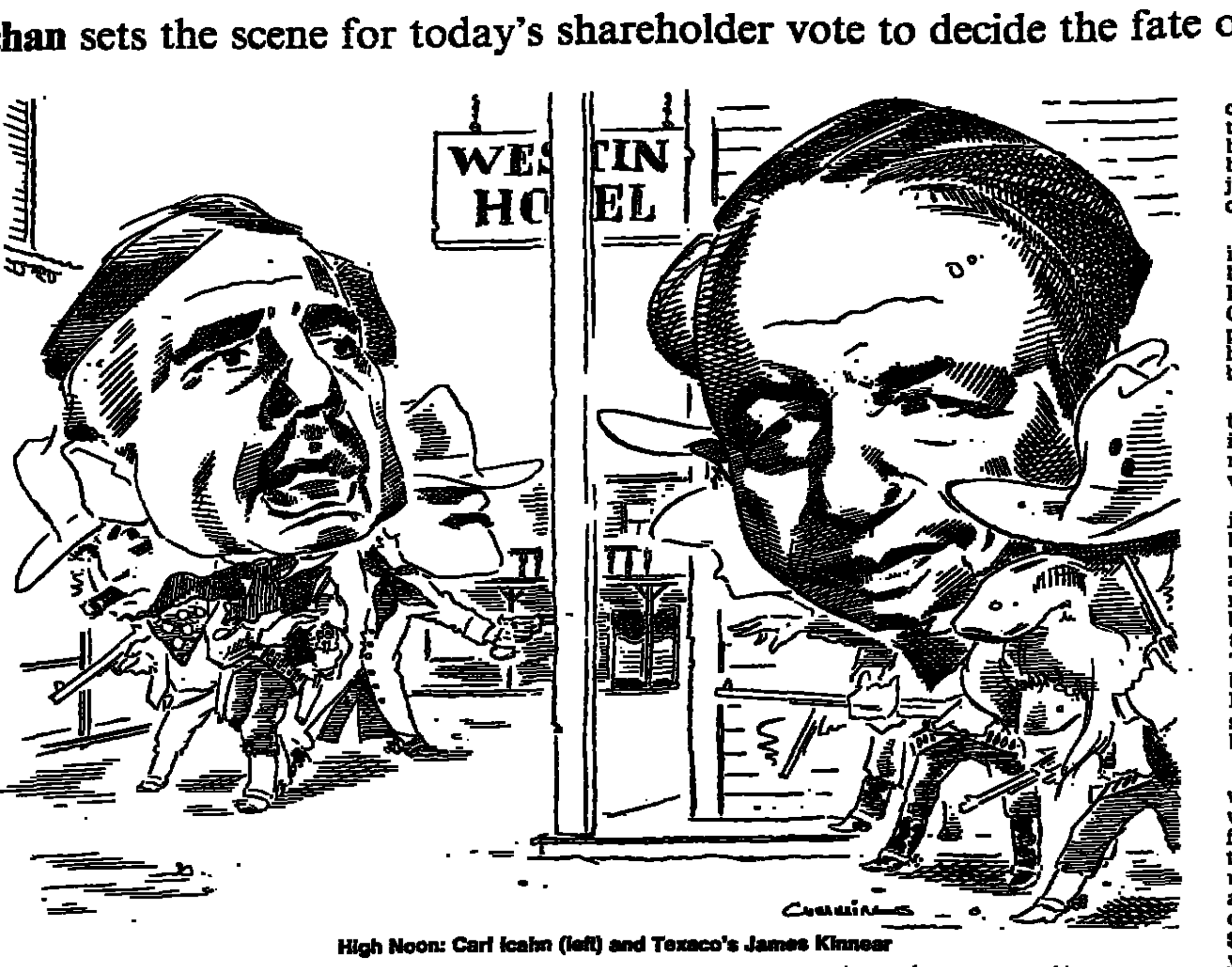
Differences

Unfortunately the overwhelming view of the Azerbaijanis, likewise now endorsed by *their* party leader and *their* Supreme Soviet, is that Nagorno Karabakh is an inalienable part of their national territory. Thus Mr Gorbachev cannot accede to the wishes of the Armenians without provoking an equally serious crisis, possibly accompanied by a bloodbath, in Azerbaijan.

It is an absolutely classic case of a national-territorial conflict in which national differences are sharpened by coinciding with religious differences and by a long history of reciprocal fear and bloodshed. As such it bears a strong resemblance to the Irish conflict. What is striking is that while 65 years of rule from Moscow by an authoritarian and highly centralised communist party can keep such a conflict out of sight of the rest of the world, they seem to have done little or nothing to soften these ancient antagonisms or make the problem any more soluble.

Mr Gorbachev and his colleagues in the politburo will have to come up with some Solomonic initiative to defuse the crisis at least temporarily – perhaps elevating Nagorno Karabakh to the status of "Autonomous Soviet Socialist Republic" while leaving it nominally part of Azerbaijan. That is unlikely to satisfy the Armenians, but they must realise the difficulty that Moscow is faced with. Neither they nor the Azerbaijanis would benefit if the result of their quarrel is to discredit Mr Gorbachev's whole liberalisation programme and bring about a reversion to old-fashioned communist dictatorship.

James Buchan sets the scene for today's shareholder vote to decide the fate of Texaco



High Noon: Carl Icahn (left) and Texaco's James Kinnear

Fight for America's corporate heart

SOMETIME TODAY, in a hotel ballroom in Tulsa, Oklahoma, the last battle in a long class war will begin.

The battle ground is Texaco and the wealth it has been building all century: its oilfields and gasfields and exploration leases, its pipelines, refineries, tankers, trucks, service stations, buildings and people. Here the professional managers who make up America's executive class have taken their stand against the new men who are driving them from the seats of corporate power. Texaco, with $34bn (£19bn) in gross assets, is too valuable to lose.

At the company's annual meeting today, the shareholders packed into the Westin Hotel in Tulsa will vote to pick five new directors for the company's 14-man board. Of the five seats up for election, one is occupied by James Kinnear, who has worked for 34 years with Texaco and is its chief executive. Of the candidates for election, one is Carl Icahn, a New York investor who has never worked in oil in his life.

Mr Kinnear will tell the stockholders that he will improve Texaco's dismal record by selling $5bn in marginal assets. He has already sold Deutsche Texaco, the company's West German subsidiary and is auctioning off 60m barrels of old and expensive US reserves.

Yesterday, he announced he had sold half-stakes in three key East Coast and Gulf of Mexico refineries to Saudi Arabia. He has promised to pay at least $1.65bn back to stockholders (mostly by buying in shares) but the bulk of the proceeds will go into the business of finding, refining and selling oil as Texaco has done for 86 years.

Mr Icahn says he will use his board position to squeeze all the value out of Texaco now, by selling the business whole or buying it himself and selling pieces off. This value he says is at least $60 a share, as against the low $50s at which Texaco has been trading for most of this week.

Both agree they cannot work with one another. "A divided board would be a devastating thing for this company," says Mr Kinnear. Mr Icahn counters that Texaco's managers "have taken a company with great assets and run it into the ground. They are the quintessence of what's wrong with corporate America. I have no faith in them at all."

The confrontation between these two men is the climax of the biggest and most poisonous proxy fight in history. These battles for shareholders' votes

Kinnear would sell $5bn in marginal assets. Icahn would squeeze all the value out of Texaco now

have been a feature of US business since at least the turn of this century. But this year they have flourished.

Recent changes in state corporate laws, above all in Delaware where Texaco and most other big companies are incorporated, have made it much harder to take over a company without the consent of its board. Mr Icahn could still go over the board's heads and pitch a hostile offer directly to stockholders, but he says this will be tough to finance. That is why today's vote in Tulsa is crucial.

In the past two months, Texaco's thousands of stockholders have been wooed and cajoled for their proxy votes by both sides. Mr Kinnear spent three weeks criss-crossing the US, visiting 15 cities in an effort to win support for his reorganisation plan. Mr Al DeCrane, Texaco's chairman, came to the City of London to make his case. Yesterday the California Public Employees' Retirement System, a powerful state pension fund, said that Texaco was promising stockholders greater influence in selecting directors. At three Wall Street proxy soliciting firms, resting actors and unemployed stockbrokers have been hunched over batteries of telephones, calling every single Texaco stockholder on behalf of one or other of the lists.

It will take two weeks to count the proxies and nobody is predicting the outcome. "It's going to be really close," says Mr Steven Matthews, who is waiting for the last moment to vote 220,000 Texaco shares for the pension plans of New York City police and firemen. "It will go to the wire," says Mr Philip Popkin, who controls 3.9m shares for the College Retirement Equities Fund.

Of Texaco's 243m shares, Mr Icahn already owns 36m (or 14.8 per cent) and may have picked up the votes attached to 7.7m shares which were sold in a block on Tuesday. The remaining 200m are divided between small stockholders, big institutions such as the college fund and the short-term speculators known as arbitrageurs.

Texaco has certainly won the small shareholders, many of them employees or pensioners of the company. The arbitrageurs are for Mr Icahn to a man. The outcome depends on the institutional vote.

Never have the choices presented to US fund managers been so sharply defined. Mr Kinnear is an eager and conscientious manager who has devoted his life to Texaco. A graduate of a smart eastern preparatory school, a navy man who saw service in Korea, he has been running marketing operations round Texaco's vast empire since the 1950s. On good days, he believes he has surmounted appalling problems and can rescue Texaco. On bad days, he seems distracted, snappy and morose.

He appears to loathe Carl Icahn.

His adversary is a gambler, who played poker in the army and has spent most of his life speculating on Wall Street. In the late 1970s, he took to launching proxy fights and then became well-known for a tactic called greenmail.

He bought into companies such as Hammermill, B.F. Goodrich and Phillips and scared their managements into buying him out at a profit. Each time he won, he staked all his winnings on the next throw. In 1985, he astonished Wall Street first by buying the loss-making Trans World Airlines, and then by managing it back to profit. But he remains a gambler. TWA is deep in debt to finance his $1.5bn holding in Texaco.

Of all the takeover artists who have tormented corporate America since 1982, Mr Icahn is said to be the cleverest, the most unpredictable and the least given to pretension and cant. At ease with people he trusts, he can be as engaging as a stand-up comic.

At a packed meeting last week with Wall Street fund managers, he brought the house down with an imitation of Mr Kinnear and his fondness for sports metaphors. With strangers, and reporters, Mr Icahn is stiff and suspicious.

Mr Kinnear has bitterly attacked Mr Icahn's record at TWA, which now has 10 times as much debt as equity and is so starved of capital that its fleet of aircraft is the oldest in the US. But Mr Icahn is offering cash for Texaco and what happens after he has bought the company does not matter to many hard-nosed institutions.

What matters is whether he is able and willing to finance his $60-a-share offer. Mr Icahn says it will cost $12.42bn to buy the Texaco shares he does not own and $1.5bn to meet a promise the company has made to the federal tax authorities.

The US capital markets have never raised such a sum for a takeover. The man who financed Mr Icahn's assaults on TWA and Phillips, Mr Michael Milken of Drexel Burnham Lambert, is under criminal investigation and has not supported a hostile takeover bid since 1986. But Mr Icahn is quite undaunted.

He says the actual financing required is just $8.86bn, because he can pre-sell two valuable assets, Texaco Canada and the company's share of Caltex, a Far Eastern joint venture with Chevron, for after-tax proceeds of $5.36bn. He says he can bring in a partner interested in these assets and finance the remainder easily from Texaco's $3bn in annual cash flow.

"It's a no-brainer," he says. To convince a sceptical market, he has deposited over $300m which he says he will forfeit to Texaco shareholders if he cannot raise the funds.

Mr Kinnear ridicules these claims. He says that Mr Icahn has conveniently forgotten a further $7bn in Texaco liabilities which will have to be refinanced in the event of a takeover.

He says that Mr Icahn's plan to cut capital expenditure in half to service his borrowings is a blue-print for disaster. "He does not understand the oil business. It is very sensitive to capital expenditure. You have got to keep processing equipment up to the mark and make lease acquisitions."

For Mr Kinnear, Mr Icahn remains a common greenmailer, who has raised the prospect of $60 a share to protect big profits on his stake (which was bought at $34). "His basic intention is just to get out with a big profit. The offer is phoney."

The market is not so sure. "It's clear in my mind that this offer is financeable. He's dead serious," says Mr Popkin. But Mr Icahn's talks this month with Gulf Canada, Husky Oil and other potential buyers of Texaco Canada have failed to produce a partner in the bid.

And Texaco's stock price is signalling that a lot of institutions do not believe in him. "We still haven't seen the money," said one fund manager who is voting for Texaco's list.

But Mr Kinnear has his own credibility problem. The company he runs has been one of the least profitable of the major oil companies and ludicrously accident-prone. Texaco had 4.5bn barrels in oil reserves in 1976 but has not been able to find new fields to replace the oil it extracts and refines. In 1983, Texaco's reserves had fallen to 1.8bn barrels and Mr Kinnear's predecessor, Mr John McKinley, took the desperate step of buying Getty Oil and its 2.4bn barrels of reserves.

This has been a catastrophe. Texaco was sued by Pennzoil of Houston, which said it had a deal with Getty, found liable for $10.5bn in damages by the Texas courts, driven into bankruptcy and eventually forced to settle at $3bn. A host of other accidents caused the company to write off some $4.9bn of its shareholders' funds last year and this will not be made good until well into the 1990s, Texaco says. And while it was fighting the four-year litigation, reserves have begun to slide again, back down to 2.79bn barrels – though Mr Kinnear says things are now picking up.

Mr Kinnear and Mr DeCrane, who took over in tandem in 1986, claim they cannot be held responsible for the disaster, but only for clearing it up. "The shareholders understand that we are not responsible for the failures of the Texas court system," Mr Kinnear says. "We're a new management and we've confronted some pretty dramatic problems in the last 18 months."

Many on Wall Street reject this argument. "I have to put the blame somewhere and I don't know where else to

Kinnear has devoted his life to Texaco . . . His rival has spent most of his on Wall Street

put it," says Mr Popkin. "This is not a new management. It's a management that has been rudely awakened."

Other big stockholders are furious that Mr Kinnear has refused to present the Icahn offer to stockholders, financing or no financing. "The best way for shareholders to test the bona fides of Mr Icahn is to vote on it," says New York City's Mr Matthews. "He's offering a 20 per cent premium and that's not insignificant."

None the less, the betting on Wall Street is that Mr Kinnear will just win. There is a technical reason for this. Many of the arbitrageurs who support Mr Icahn bought their stock too late to be eligible to vote at today's meeting. At the same time, many fund managers appear to be tempted to give Mr Kinnear and Mr DeCrane a shot at actually running a business, rather than a litigation machine.

The California pension fund, which annouced yesterday it was voting for Mr Kinnear, said: "We are in favour of a change, but we want long-term change."

An arbitrageur commented: "Carl's going to lose."

OBSERVER

A lawyer for Port Stanley

■ The Falkland Islands are to have their first resident practising private solicitor.

The Aberdeen firm of C & P H Chalmers is despatching Gavin Farquhar to set up an office in Port Stanley in August. Farquhar is 29 and single – "just right for the post," said a senior partner – and will find a secretary locally. Farquhar becomes a partner in the firm next month after having done commercial work in Edinburgh and Glasgow.

First interests in Stanley, too, will be commercial. Chalmers has developed its links with the Falklands through the legal aspects of the fisheries industry. In the past Falklanders wanting to resort to the law have had to go through government officials: namely the Attorrney General and the recently retired lady Solicitor General, who is now working on a freelance basis.

There has not been a great deal of private demand. Farquhar says that there have only ever been eight divorce cases in the Falklands and most of those were uncontested. Still, he adds that the authorities have been recently stepping up the use of the breathalyser, and some business may come out of that.

Besides, in percentage terms the population of the Islands has been growing rapidly – from around 1,500 at the time of the Falklands war to about 2,000 today. There must be some disputes somewhere.

The progress of the venture will be reviewed after one year; the hope is that the office will then be expanded.

The reaction of one very large law firm on being told the news was: "We'll stay out of Stanley, provided Chalmers stays out of London."

Eban's sad exit

■ The distinguished political career of Abba Eban, Israel's elder statesman, flickered out this week in a Tel Aviv garden where Labour Party stalwarts had gathered to choose their candidates for the coming general election.

The party dumped the man who for decades was the most accomplished exponent abroad of Israel's policies and defender of its actions. As his colleagues stitched up mutual support deals on Wednesday – designed to ensure themselves a high ranking on Labour's electoral slate, and thus a guaranteed seat in the next Knesset – the 73-year-old veteran stayed aloof.

Only when his chances of gaining a realistic slot began to slip away did he descend into the fray and then it was too late. Without a strong internal power base of his own, he was denied a place on the list of candidates, and forced to bow out as gracefully as possible.

Eban was as much a victim of changing times in Israel as of his party's desire to present a younger face. His moderate views on the Palestinian question have looked increasingly dovish in recent years, as Labour has moved steadily to the right. Within the country the voice of the Cambridge-educated, former Foreign Minister has for some years carried dwindling appeal. It is sad to see him go.

"We got the idea from a cartoon."

Marxist Speaker

■ Mace-throwers – or their equivalent – are not confined to Westminster; they have them in Italy as well.

Nilde Iotti, the Speaker of the Italian Chamber of Deputies, tells the story of a young deputy who leaped onto the government benches with one bound and was about to throttle the Speaker until she was rescued by a junior minister. He was banned from the Chamber for 15 days, the maximum allowed under Italian rules.

Iotti is in London this week talking to Margaret Thatcher, among others, about constitutional reform. She is a communist and was the life-long companion of Palmiro Togliatti, the late party leader. She has been Speaker since 1979, having been elected on the first ballot three times in a row.

She has a rather idealised view of the unwritten British constitution. She thinks that we make up the rules as we go along whereas the Italians are bound by rigidities in the system. The Chamber of Deputies has 630 members – against the House of Commons' 650 – but 11 parliamentary groups. Iotti says that it is the small groups who make the noise and create the problems.

Moreover, there could be a Labour Government in Britain tomorrow without any great hoo-ha. It would not be the same, she says, if the Communists were to come to power in Italy.

Iotti is the kind of lady about whom one is expected to ask: what's a nice girl like that doing in the Communist Party? Suffice it to say that she is very charming, very well-educated, very intelligent and probably very tough. An Italian diplomat paid her the supreme compliment of remarking how well she speaks Italian.

Japanese again

■ The British Foreign Office is the biggest employer of Japanologists in Western Europe. Some of their internal differences are beginning to come into the open.

Another of their experts tells us that Observer was wrong to report yesterday that the Japanese for British Embassy translates into "big man thing office". The proper translation, he says, is "large messenger office."

The difficulty arises from the central character which transliterates as "shi" and means messenger. If another stroke is added, however, it transliterates as "ben," which means "excreta." An officer at the Embassy in Tokyo recently made that mistake.

The Young Jenkins

■ Lord Jenkins of Hillhead will see a mirror image of himself when, as Chancellor of the University, he opens a new and permanent exhibition in Oxford today.

The Oxford Story, as it is called, is situated in The Broad, opposite Jenkins' old college, Balliol: on the site of the old Blackwell's children's bookshop, to be precise. It tells the story of a typical undergraduate from going up to the University to reading his final examination results. The figure is modelled on the young Jenkins.

There is also a visual history of the University with spoken commentary by Sir Alec Guinness. The scheme was designed by Heritage Projects which was responsible for the Yorvik Viking Centre in York. It cost over £2m and the University contributed funds. It is being billed as a "tourist attraction."

Put it back

■ Gentlemen lift the seat. Or so the sign used to say in the days of the old British Railways. A sign in a Lambeth pub says: "Will the gentleman who lifted the toilet seat last Saturday evening kindly return it without delay?"

POLITICS TODAY: Joe Rogaly

Labour must break the union tie

MR NEIL KINNOCK is making a better job of leading the British Labour Party than he is usually given credit for. Unfortunately, it is not good enough.

This is a matter of some moment, since democracy can only work if the government of the day is thrown out every now and then. For that to happen there must be an electable party of alternative government waiting in the wings. The Social and Liberal Democrats do not yet look like such a party: they are stuck in the convalescent ward. As matters stand, only Labour has the potential strength to win next time. But, as matters stand, it will lose. For if it is to become electable its leader must display a capacity for successful generalship that is beyond the imagination of ordinary mortals. Mr Kinnock is not yet operating at quite that level.

This has nothing to do with outbursts of petulance by his colleagues, like the one that led Mr Denzil Davies to resign as the party's defence spokesman late on Monday night. That was an unfortunate political happening. It might matter a little bit if as a consequence Mr John Prescott were to succeed in his bid to replace Mr Roy Hattersley as deputy leader, since the former, whatever his hidden qualities may be, looks truculent and unintelligent on television. Otherwise, if all else goes well, Mr Davies' midnight flit will soon be forgotten.

The Labour leader might have to risk turmoil and the loss of his position

No, Mr Kinnock's problem is that he has put the Labour Party in shape to win the last three general elections but not the next one.

This needs some explanation.

First, consider his achievements. He led the party out of a valley of deep despair after the debacle of the 1983 general election. He gave it a new image, a red rose, and a 1987 manifesto that, had it been issued in 1979, might have prevented the mass defection of the right-wingers who became the Social Democratic party (Mark I). He fought a slick campaign and confounded some observers by moving Labour's vote upwards. It is seldom remembered that last year Mr Kinnock's Labour Party attracted some 1.6m more votes than had Mr Micheal Foot's four years previously. That represents an improvement of 19 per cent. As a share of votes cast the party edged only three percentage points ahead, and the harvest of extra seats was a mere 20, but at least the rot was stopped.

He has thumped the far Left. This is not only a question of the famous attack on the Militants in Liverpool. Some attempt is being made to root out Militancy wherever it can be identified and isolated. The London vote-repelling brigade is being picked off, one by one. Only this week a former kissogram girl found her candidacy for a local council by-election blocked by Labour headquarters. Incidents like that are becoming more common. There is a general sense of tidying-up under Mr Kinnock, in spite of the ceaseless work of the hooligans on his own backbenches and in certain constituency parties.

The party is being made more professional. Participants aver that the leader is a good chairman at National Executive and Shadow Cabinet meetings, and that relationships between these bodies are now businesslike. Mr Kinnock is in the ascendancy in both of them. He is also doing quite well in the important matter of shedding unwanted political baggage (defence is the vital exception, but he has made a start). Mr Kinnock's Labour Party is now reconciled to membership of the European Community. It no longer wants to nationalise everything in sight. It has turned aside from high penal taxation of the rich. There is to be no going back to the corporate state, in which the trade unions participated in the running of the country. In short, the domestic policy review committees have set the agenda for a Labour Party that might have run the Conservatives quite close in 1987.

The next serious test of the entire package, internecine strife included, will come when the by-election due in Kensington is called. With the Democrats fighting their old allies in the Social Democratic Party the centre parties should be in disarray. In theory, Labour should do well. In practice, the glaring truth is that in spite of all the supposedly unpopular policies put through Parliament by the Conservative government over the past few months, and in spite of the collapse of the old Alliance parties, Labour is still only rarely scraping up a 40 per cent score in the opinion polls, and that is on a good day.

Mr Kinnock's reasonable response to this observation might be that it takes time to put Labour back into shape. It is a notoriously difficult party to manage. The debacle of 1983 was so devastating that only a long-term strategy would suffice. We are in the middle of that long term. Some progress is being made.

Let us try that one on for size.

What Mr Kinnock actually needs is a set of bold attacks on the Conservative Party, including a few *from the right*. History provides the lesson. Many years ago Mr Frank Field, (currently Labour's chairman of the House of Commons Social Services committee) proposed that council houses should be given to their tenants. Labour was too boneheaded to pick up such a populist idea. Mrs Margaret Thatcher's Conservatives have sold local authority houses to sitting tenants at a discount, and thus won themselves streets-ful of grateful supporters. Now they are working on the next step, which is to sell council houses to the poorest tenants at so low a price that they would virtually be giving them away, just like Mr Field proposed.

This week Mr Field has made another radical proposal. Undercut the Tories' promise of a 20 per cent standard rate of income tax, he says, and make it 12 per cent - but eliminate all the accompanying tax breaks. It should be worth an hour on the pocket calculator. There are plenty of other opportunities for an imaginative Labour Party to follow. Will it have to be the Tories who first propose giving students a grant sufficient to pay their university fees, so that they may then choose their own pace of study? Why is the matter of preventing the despoliation of Britain's countryside by speculative builders so identified in the public mind with Mr Michael Heseltine, the Pretender to the Tory throne, rather than the Labour party?

What is at present on offer, in mid-strategy, is bland by comparison. Mr Bryan Gould's contribution to industrial and economic policy is a touch dirigiste for current and likely future taste, although it could be made to represent a step on the way to happy acknowledgement of the positive power of the market economy. The word "consumer" is now repeated in a number of policy documents; there is much room for sharpening-up, in spite of Mr Jack Straw's best efforts. The party's position on the National Health Service is defensive. It needs strong updating, in the direction of greater internal efficiency and more choice.

If all the above were the only items on the balance-sheet of mid-strategy Mr Kinnock might be given the benefit of the doubt. There remains, however, one fatal item. I am not referring to defence: that might be sortable out if the most important matter is dealt with first. I mean, of course, the Labour Party's relationship with the trade unions.

The most unsettling sight of the past few weeks has been that of the executive of the Transport and General Workers Union putting off a decision on whether to endorse Mr Kinnock and Mr Hattersley for the leadership of the party. It was made worse yesterday when the union's leader, Mr Ron Todd, publicly reminded Mr Kinnock that the Party conference (which is dominated by the trade unions' bloc votes) is the real maker of policy. Mr Todd is one of Mr Kinnock's chief fixers among the union barons; he could hardly have done his man a more damaging disservice.

For the 2m-plus mainly south-eastern votes that Labour must bring home if it is to win will have to come from people who are deeply distrustful of the trade unions. They may even be members, but there is a world of difference between (a) belonging to a union in order to have it negotiate with your employer and (b) voting for a political party that is seen to be a creature of the unions. At present the trade unions sponsor a majority of Labour MPs. They retain a 40 per cent vote in Mr Kinnock's "democratised" system for constituency party selection of parliamentary candidates. They still account for all but a small fraction of the party's revenue. Their vote is vital for anyone standing for leadership of the party, under the system that produced Mr Kinnock and will confirm his position again this year.

My colleague John Lloyd has proposed "a loosening of the link" between the party and the unions. Mr Frank Field – yes, him again – has just recently come out in favour of one-member-one-vote for the leadership. To my mind what is required is no les than an arms-length relationship like that between the US Democratic Party and the US trade unions. All such talk is dismissed as impossible by those around Mr Kinnock, although I cannot vouch for his own secret dreams.

The argument is that if any Labour Party leader came out on a platform that included a divorce from the trade unions the result would be such turmoil that the party could not recover before the next election, if ever. Rest satisfied, one is told, with the current TUC policy of keeping quiet about politics. Did you hear much from the unions in June 1987? Let them behave with circumspection, that will be enough.

Apart from the fact that Mr Todd and his like are plainly unfamiliar with the word circumspection, none of this is good enough. Mr Kinnock might risk turmoil and the loss of his position as leader if he campaigns for independence from the unions, but defeat for the party is to my mind virtually certain if he does not. A fourth defeat in the early 1990's would be so shattering that the odds would be against the Labour Party lasting the century out as a serious political force. If Mr Kinnock goes over the top and runs against the gunfire on this he stands a slim chance of taking himself, and the party, through to victory. If he fails to do so then all the other debates about his leadership matter not a fig.

Lombard

Leukaemia: an unproven link

By Max Wilkinson

CASUAL readers of the more respectable newspapers last week may well have gathered that an official report showed that radioactive emissions from the nuclear processing plant at Dounreay, Scotland cause cancer in children. The opposite is true: no link whatever was established.

Part of the blame for this wrong impression must rest with the Committee on Medical Aspects of Radiation in the Environment, which produced the report, and its chairman Professor Martin Bobrow, who briefed reporters after it was published.

Most of the report is an admirably precise discussion of the incidence of leukaemia and of possible links with radioactivity from Dounreay and the nuclear processing plant at Sellafield, Cumbria. However, when writing its conclusions the committee suggested that the plants might somehow be found guilty even though their radioactive emissions were cleared of blame.

It said: "The evidence of a raised incidence of leukaemia near Dounreay, taken in conjunction with that relating to the area around Sellafield tends to support the hypothesis that some feature of the nuclear plants we have examined leads to an increased risk of leukaemia in young people living in the vicinity of those plants."

Touching an exposed nerve of public anxiety this was enough to produce a headline in one of the more thoughtful newspapers saying: "Nuclear plants 'probably to blame' for leukaemia."

However, to conclude that radioactive emissions cause the disease, two facts must first be established: first that more children died of the disease than would normally be expected and, second, that significant emissions of radioactive material actually occurred.

The committee found that the six cases of the disease recorded during a 16-year period within a 25-kilometre circle round Dounreay were not significantly more than would be expected on the basis of chance. However, if two other cases which had been wrongly diagnosed were added in, the results achieved statistical significance.

Taking this fact with further evidence about the distribution of the cases geographically and over time, the committee was entitled to conclude that there were perhaps one or two more cases of the disease than would be expected on the basis of random distribution. The evidence is not conclusive, as the report frankly admits.

Assuming that leukaemia is more prevalent in the town of Thurso near Dounreay, the next question is whether there is any causal link with the plant, especially since 56 other "clusters" of the disease were found elsewhere in Scotland.

Radioactive emissions, the main source of anxiety about the plant, were clearly ruled out as a cause. The committee says that calculations based on present evidence of risk show that emissions would have had to be 200 times more virulent to cause even one cancer in Thurso during the last 35 years.

Conventional risk estimates are open to question, as the report says. It may be that very low radiation levels will prove to be less dangerous than is now thought, but as some studies have suggested it may be that they are not dangerous at all.

The committee accepts that it failed to find any evidence of causality either by radiation or by other means. It should therefore have been clearer about the scientific consequence: that none of its findings can be used for predicting the future.

In plain language this means that even if one or two cases of leukaemia were associated with Dounreay in the past (and this is uncertain), the committee has no evidence and not even a theory to suggest why it should happen in future.

Since leukaemia is such a distressing disease, it is right to search every cranny of the evidence for a cause. Equally the committee needed to more careful in gauging the effect on an impressionable public of its belief that there *may* be a link. It should have stated more humbly, and perhaps been clearer itself, that hypothesis, inference, and presumption are the lowliest foothills of proof.

Letters to the Editor

Disclosure could go further

From Mr A.W. Tait.

Sir, The argument about commission disclosure by intermediaries selling insurance is no longer that the intermediary may be influenced by higher commission, but rather that the customer should know, in any event, how much the intermediary is being paid.

But many other intermediaries purport to give objective advice. Accountants, bankers and lawyers might be required to state clearly in advance both the gross income derived from different investment recommendations, directly or indirectly, and also their hourly fee charges.

It would not be logical to stop there. Many people rely on their chemist or health food shop, not their doctor, for medical advice. What is the difference between a chemist or health food shop advising a customer that this patent medicine or that "health" product will be the best buy for his or her condition, and a financial intermediary giving similar advice about the best insurance policy? (In the former case the "mark-up" or commission is hugely greater – and variable – whereas the commission paid by big insurance companies is almost always the same.) Why is the insurance intermediary to be required, in 1990, to disclose commission, whereas the chemist is not? Is health less important than insurance?

The Government can, if it wishes, risk the slippery slope of requiring disclosure of mark-ups on different products from all "advisers." But does it really want to do so?

A.W. Tait,
Orchardcroft,
Grimmshill,
Great Missenden, Buckinghamshire

No farmer could argue

From Mr Stefan Szymanski

Sir, Bridget Bloom's excellent article on farm reform (June 15) highlights the central problem of government agricultural policies in the European Community (EC) and elsewhere. In a democracy any lobby commanding a substantial number of voters will be able to use political blackmail against elected representatives unless there is a significant opposing lobby.

If farming subsidies are a "bad thing," as many politicians probably accept, then what is needed is a policy to circumvent the farm lobby and make the damage to the economy transparent. Here is one idea:

The EC and the US should agree to pay their farmers the capitalised value of all subsidies, restraints, tariffs and quotas in exchange for a complete and permanent liberalisation of agricultural markets. This grant would be paid for by one-off levy on all taxpayers.

Taxpayers would, of course, lose out initially, but would gain in subsequent years from lower food prices and lower government expenditure. No farmer could argue with the proposal, because at the very least they could invest their capital and live off the interest as if the subsidies still existed.

In economic terms this proposal could entail substantial benefits for consumers and producers both in the developed and the underdeveloped world. In political terms it might also create a countervailing force to the farming lobby. Farmers will always crave subsidies, but in the *future any government which* sought to pander to these cravings would have to weigh the gain in farming votes against the potential loss of taxpayers' votes.

In the absence of free lunches, I suspect that this is the only way to get our meals at a reasonable price.

Stefan Szymanski,
Birkbeck College,
University of London,
7-15 Gresse Street, W1

Life is more than balancing books

From Mr James Andrews.

Sir, Alan Pike's report on health service managers (June 9) should perhaps have emphasised that it was intended that the Griffiths managers should be judged not only on balancing the books but also on providing an adequate service.

Can they be judged to have met these obligations when – although here they have made valiant efforts to balance the books – they have closed 100 beds, half of these in the already very depleted geriatric department, and reduced the surgical department almost to an emergency service only, with obvious results to patients awaiting non-emergency surgery?

James Andrews,
West Middlesex University Hospital,
Isleworth, Middlesex

Perceptions of nuclear defence

From Mr Bruce Kent

Sir, Michael Cassell reports at length (June 14) Mr Peter Shore's speech, but gives no space to the alternative views expressed. I happened to be Mr Shore's fellow debater that evening.

He made it clear that whatever multilateral initiatives were proposed, in his view Britain should have nuclear "weapons" as long as the USSR had any. He was unable to explain convincingly how it was reasonable to deny them to other countries, and seemed to believe that the potential nuclear "weapon" powers had all signed the Non-Proliferation Treaty. Would that it were so.

He also had to admit that a future Labour Prime Minister would have to be willing to use nuclear "weapons" in extreme circumstances.

Bruce Kent,
Campaign for Nuclear Disarmament,
22-24 Underwood Street, N1

No contribution to oral history records

From Lord Armstrong of Ilminster.

Sir, Observer states (June 14) that I have agreed to give some of my recollections of office to the Institute of Contemporary British History as part of its oral history programme.

This statement is without foundation. I have not been asked to contribute to this programme, about which I know nothing, let alone agreed to do so, or discussed conditions on which I might agree to do so.

Armstrong of Ilminster,
House of Lords, SW1

'Out of touch with what most academics know from everyday experience'

From Mr P.T. Muchlinski.

Sir, Michael Prowse, in his article on higher education (June 13), makes a bold attempt to present a serious case for reform in university funding. There is a strong argument for a more market orientated system of university finance which includes student vouchers and loans, increased private funding and more selective state funding.

Such a *system has many* advantages over the proposals contained in the Education Reform Bill. But Mr Prowse's article is marred in places by misunderstandings, romantic nostalgia and prejudice. He assumes that "many dons may instinctively prefer the apparent safety of planning to the uncertainties of a student driven decentralised system." This view is out of touch with what most academics know from everyday experience.

In recent years the University Grants Committee (UGC) has undertaken a more interventionist role in allocating funds. The proposed Universities Funding Council promises more of the same. This method of allocating funds has led to ever increasing *administrative burdens* on universities, thereby diverting scarce academic resources to administration. The waste implicit in this process is obvious. So are its implications for flexibility and for the independence of universities.

Mr Prowse asserts: "most dons have never done anything besides study and teach; their experience of life is thus extremely limited." The worldly journalist speaks here of people who have numbered among their ranks giants such as Keynes, Russell, Rutherford or Einstein. Their preoccupation with study and teaching was the foundation for their greatness and for their claim to involvement in the "real world." He ignores academics all over the world who are engaged in government, industry, commerce, law, broadcasting, politics or local government.

How would Rutherford have fared, splitting the atom in his toolshed? Or Fleming, discovering penicillin in his kitchen? Today the complexity of knowledge does not allow for low-cost amateurism – nor do the demands for highly educated manpower.

Mr Prowse is living in another age; an age in which religion, philosophy and the arts are the dominant forms of knowledge, in which the gaining of knowledge is still possible as a part-time, hobby-like occupation, and in which the scholar is a romantic hero of genius and eccentricity (not to mention having a private income or generous patronage).

I welcome Mr Prowse's sentiments about funding. They are, in fact, my own. I also urge him to get out of his journalistic "stockade of cynicism," and join me in moving forward.

Peter Muchlinski,
Law Department,
The London School of Economics and Political Science,
Houghton Street,

FINANCIAL TIMES

Friday June 17 1988

David Gardner reports on a change of emphasis in Mexico's election campaign

State takes its image to the polls

CAN ELECTIONS in Mexico, where a ruling party consubstantial with the state has not ceded a single significant office for 71 years, be considered fair?

This question, academic throughout most of this century, has suddenly become *the* Mexican issue. On July 6, the ruling Institutional Revolutionary Party (Pri) faces presidential elections which are not the usual changing of the guard the regime has choreographed 14 times since the 1910-17 Revolution from which it emerged, but the most competitive contest Mexico has ever seen.

Although the July polls are about the way in which Mexico faces up to the challenges of modernisation, at their most basic they are about whether elections are now to be legitimised as the means through which power might change hands.

Mr Carlos Salinas de Gortari, the talented young former planning minister anointed by President Miguel de la Madrid as his successor, has made political and economic modernisation the central theme of the Pri campaign, often to the discomfiture of party apparatchiks.

The National Action Party (Pan), the traditionally ineffectual opposition, has been led towards the radical right by Mr Manuel Clouthier, a Falstaffian business leader who is trying to channel an inchoate middle-class backlash against regime corruption, ballot-rigging and economic failure into the party's first real bid for power.

More significantly, regime dissident Mr Cuauhtemoc Cárdenas has forged an unprecedented alliance out of a nationalist Left split within the Pri, a motley group of former regime satellite parties and, from last week, the Mexican Socialist Party.

Carlos Salinas de Gortari: determined to conduct his campaign "citizen by citizen, door to door"

This is the biggest mass movement since his late father, the revered President Lázaro Cárdenas, built a popular front around oil nationalisation and land reform 50 years ago.

Mr Salinas has repeatedly called for clean elections and believes that the legitimacy and effectiveness of his government depends on polling being seen to be clean.

Yet Mr Salinas has implicitly admitted that "alchemy," as ballot-rigging is universally known, has been employed by this Government to turn Pri dross into electoral gold in a string of local and state contests. However, nearly all analysts accept that regime intervention has not affected the outcome of a presidential election since 1940.

Both Mr Cardenas and Mr Clouthier claim the Government is already busy fixing the July outcome and threaten serious civil disorder if they are defrauded of their votes.

But even supposing that the mechanical process of voting and counting is clean, will the contest as a whole have been fair?

The vast corporatist apparatus and state resources available to Pri, plus its *de facto* dominance of the media and control of all electoral bodies, have always been enough to steamroller whatever opposition the party has faced.

The Pri/state's control over the trade union bureaucracies, over 4m state employees, all 31 state governments and 97 per cent of Mexico's 2,378 muncipalities, adds up to a formidable concentration of power.

Though the "three sectors" into which Pri is divided – workers, peasants, and bureaucrats – have seen their political projection diminish, they control enormous patronage. This month affiliated organisations committed 31m votes to the party out of 38m registered voters in the entire country.

Mr Salinas argues that "it is no longer possible to conduct corporatist (election) campaigns... it has to be citizen by citizen, door to door." The vote is private, he insists, and "if people are taken against their will (to the polls), they can vent their anger at the moment of voting."

Despite the weight of Pri and union barons, it is indeed true that the role of candidates on the stump has acquired a new dimension because of the unprecedented competition. Mr Salinas claims to have made direct contact with 4m people and Mr Cardenas with 3m.

Coverage of this activity in the press has overwhelmingly favoured Mr Salinas, without ignoring the other candidates. "Every day I find all the opposition candidates on the front pages, irrespective of the votes their parties have won historically or the presence they may have," Mr Salinas protests.

Yet the facts are that the state has controlled all newsprint since 1935. It provides 34 per cent of advertising in the national press – according to a survey by El Norte, an independent Monterrey daily – without which most newspapers would have to close. And it provides a very large proportion of journalists' income through bimonthly *embutes* or envelopes of cash distributed by the ministries and government offices the reporters cover; through bonuses (averaging $230 per state visited on the Salinas campaign, according to Mexican journalists). The Mexican press knows on which side its bread is buttered.

The national press, however, is read by probably less than 1m people, making television vital.

In Mexico there is state television and then there is Televisa, the private television monopoly headed by Mr Miguel Aleman, son of the 1940s president of the same name. Mr Aleman said in a notorious recent interview: "In this house (Televisa) we are all Pri-istas," and in this election campaign it shows.

On Mexico's most popular newscast, 24 hours, Mr Salinas gets detailed coverage twice daily, and is allowed to speak in his own reasonable voice. His opponents get fleeting images with voiceover, and camerawork which contrives to erase crowds.

Mr Patricio Chirinos, appointed by Mr Salinas to the key Electoral Action portfolio in the Pri executive to try to ensure clean elections, says "we are a majority party and I don't deny that we have greater resources." But he notes that "people are participating (in the elections) more than ever" and that "there is a tendency towards equality" between the contenders.

No dispassionate observer of the campaign could conclude that this tendency is well advanced, but it is being gradually forced on Mexican politics by the new might of the opposition. An accurate count of the votes on July 6 would, on sketchy present trends, give Mr Salinas a modest but legitimate victory, and the opposition the chance to ensure they get a fairer crack at his successor.

UK soccer authorities urged to take action on violence

By Charles Hodgson in London

THE BRITISH Government yesterday called on UK football authorities to take tougher action to stamp out hooliganism and warned that it would bring in legislation if voluntary moves were not successful.

Mr Colin Moynihan, Minister for Sports, told the House of Commons that the Government was considering a series of measures to crack down on football violence, including a compulsory national membership scheme, restrictions on travel for convicted hooligans and tighter controls on sales of alcohol in the vicinity of sports grounds.

Speaking after a special meeting on football violence chaired by Mrs Margaret Thatcher, the Prime Minister, Mr Moynihan accused the football authorities of "heel-dragging" on implementing club membership schemes.

"The time has come for a detailed look at legislation instituting a national membership scheme with legal backing," he said. The Football Association (FA) rejected a national scheme as unworkable last year but agreed to urge clubs to put 50 per cent of their supporters onto a membership scheme.

Mr Moynihan was speaking shortly after the FA announced that it would not seek re-admission by English clubs to European competitions following the violence at the European championships in West Germany this week.

The Downing Street meeting agreed to look at granting courts powers in the longer term to restrict overseas travel following conviction for an offence. While Government officials have ruled out withholding passports as impractical at present, the introduction of a computerised passport system by late 1989 will make it easier to control distribution of travel documents.

The Government is to hold talks with the Football Association within the next two weeks at which the football authorities will also be urged to consider the future participation of the England team in future international competitions.

Mr Denis Howell, Opposition spokesman on sports, welcomed the government moves but said violence was not directly the fault of football.

"It is no good making football a scapegoat all the time. It is a law-and-order problem," he said.

The Labour Party's view that the roots of the problem go deeper than sport was emphasised last night in a speech by Mr Roy Hattersley, the party's deputy leader, who said that violence was "a national disease... being bred by Mrs Thatcher's values."

Pointing to recent violence by "upwardly mobile thugs" in rural towns, Mr Hattersley said they were encouraged by "an ethos which urges the individual to get on at the expense of others and at the expense of the community."

THE LEX COLUMN

Dark side of the Rising Sun

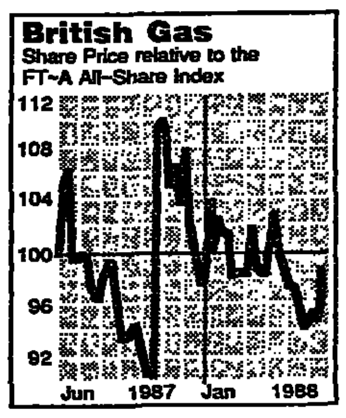
It was rather fitting that the Japanese stock market hit yet another record peak on the day that the Government announced that the economy was growing at its fastest rate in more than a decade. An annualised first quarter growth rate of 11.3 per cent is mindboggling by European standards, and helps explain why Japanese share prices have risen 30 per cent this year, when most of the conventional wisdom outside Japan was that they deserved to fall. It also means that the Japanese can march into the forthcoming G7 meeting in Toronto with their heads held high. They have done more than their fair share in stimulating domestic demand and it now looks likely that in the current fiscal year the Japanese economy will grow faster than last year's 4.9 per cent.

The bad news is that the Japanese data is just the latest, and most extreme, example of the faster than expected growth which is emerging in most of the world's major economies. In addition, Japanese exports remain surprisingly strong – nothwithstanding the appreciation of the yen – indicating that the adjustment of current account imbalances is taking longer than anticipated. Worse still, the Japanese are taking advantage of the current strength of the dollar to allay their concerns about overheating by edging up their interest rate structure.

Until very recently the bond markets have been surprisingly sanguine about the strength of the world economy and the buoyancy of commodities prices, but this is beginning to change. The combination of the weakness of the D-Mark and the ¼ percentage point rise in Euro-DM rates yesterday is a sign of things to come; and the clutch of UK economic data is a reminder, if any was needed, that UK interest rates will soon be heading higher.

British Gas

When a private monopoly increases its earnings by 21 per cent, its shareholders would appear to be faring better than its customers. However, it is unclear which of British Gas' customers have most cause for complaint, as the company stubbornly refuses to break down its profits. It claims that costs cannot be allocated between types of user; but as it is obliged to charge third parties for use of its pipelines, it is hard to see why it cannot do the same internally.



British Gas presumably took the MMC's interest into account in presenting its profits, which would have been £72m higher still were it not for a decision to change its accounting for oil exploration and start an employee profits scheme. This year is shaping up to be another embarrassing humdinger, with underlying growth in gas demand still strong, and a colder winter than last year's mild one likely (partly offset, perhaps, by lower gas prices). Meanwhile the company seems able to go on making an efficient business more so, cutting costs by comfortably more than the 2 per cent which is automatically passed on to its domestic customers.

The prospect of good growth from this "mature" utility would make an earnings multiple of 8.5 look a bit low, even given the – remote – risk that the MMC will come up with a genuinely damning recommendation. However, the 6p rise in the shares yesterday was more to do with a 23 per cent rise in the dividend. Despite a cash flow strong enough to pay for £400m of acquisitions, interest and dividend, and still have money over, there was always a worry that cantankerous Sir Denis might be mean with his new owners.

London International

On one view, London International (LIG) is the AIDS-related stock that never was. Like Wellcome, it was a target of the stampede into AIDS stocks 18 months ago; unlike Wellcome,it has since fallen back in relative terms to where it started. The 11 per cent rise in second half profits announced yesterday might suggest that the market has been right to be sceptical, especially as it looks as if last year's 20 per cent growth in the condom market may now fall to 15 per cent at best.

The profit performance, though, was distorted by the full year loss of £1.2m at Royal Worcester, now up for sale. This year will also have a full year contribution from the Italian condom acquisition Hatu-Ico, whose exceptionally cheap pre-crash financing now looks something of a coup. Above all, it now seems that the chief impetus for growth in the next couple of years may come not from condoms, but from that other AIDS-related market, rubber gloves – particularly if LIG's up-market surgical gloves do as well in the US as they have in the UK.

There is still a hint of nervousness about the shares, based partly on the problems at Royal Worcester, partly on new competition in the UK condom market. But the first should shortly be resolved, while the Branson share of the market seems to be levelling off, still leaving close on 90 per cent for LIG. Last year's profits of £31.5m could go to over £40m this year, putting the shares on under 13 times earnings at 170p – a meagre premium for growth so much above the market average.

Unigate

Food companies are supposed to be dull, but they are also supposed to be reliable. Unigate's 10 per cent drop in full year profits to £94m is correspondingly dreadful, even if the first six months were even worse. Most of it is due to cyclical overproduction in poultry, and considering Unigate is in the process of adding some 6 per cent to the UK's total poultry capacity, it had better have its timing right. Some of the rest is due to the St Ivel branded food business, which will probably do better this year, but surely should not have done so badly last.

Assuming group profits can recover by 10 per cent or so this year, the shares at 325p are on an average market multiple of 11. Obviously, this implies the expectation of a bid, but the market could be fooling itself. The average food group would think twice before taking on as sprawling an animal as Unigate has become, and if there is a break-up value which would justify a bid premium to the current price, it is perhaps odd that a specialist of the Hanson variety did not move in some time ago.

Soweto Day protest halts industry

BY JIM JONES IN JOHANNESBURG

LARGE SECTIONS of South African industry came to a halt yesterday as hundreds of thousands of black workers stayed home to commemorate Soweto Day, the twelfth anniversary of the 1976 Soweto uprising.

Two bombings were reported in Cape Town. The first wrecked part of a commuter rail line in the black township of Langa and the second exploded in the lobby of a Cape Town civic centre during an evening meeting of the far-right, pro-apartheid Conservative Party, causing damage but no injuries.

In Soweto itself the anniversary was marked quietly as residents remained indoors or attended church services while police helicopters hovered overhead.

Yesterday's services began with a short ceremony at the grave of Hector Pieterson, the first pupil killed when security forces tried to contain the 1976 pupil demonstrations against the use of Afrikaans in black schools.

The pupil demonstrations triggered six months of violent demonstrations in which about 1,000 people died.

June 16 is not an official holiday but most industrial and commercial employers allow workers to take the day off.

Trains between Soweto and Johannesburg were reported to have been stoned and passenger numbers were cut by three quarters.

Passenger numbers were reported to be more than half the normal rate only in Durban and Cape Town, of the larger centres.

Police reports said there were no serious disturbances, indicating the stayaway was achieved with minimal intimidation by activists.

It is not certain there were no clashes between blacks and government forces because news coverage is severely restricted by the country's emergency laws.

White South Africans were kept in ignorance of the extent of the stayaway which was ignored or down-played in prime-time news broadcasts of the government-run radio services.

The stayaway drew most support from industrial and commercial workers while black miners, by and large, reported for work.

According to union spokesmen it is difficult to organise strikes in the larger gold mines at present because many union officials were sacked after the black miners' strike last August.

De Beers, the diamond company, reported stoppages at its mines despite earlier appeals to miners to ignore strike calls by their union.

As major supermarket chains and industrial employers reported between 80 per cent and 100 per cent non-attendance, others, such as Iscor, the state-owned steelmaker, reported normal working.

US military contractors subpoenaed

BY LIONEL BARBER IN WASHINGTON

THE US Justice Department issued more than 200 subpoenas on leading military contractors and individuals this week as it prepared to wind up a two-year investigation into alleged contract fraud at the Defence Department.

Grand jury indictments are expected within two months in the two-year-old investigation of what a leading Republican senator called "rampant bribery in the government."

The Federal Bureau of Investigation (FBI) judged the inquiry to be so sensitive that a former Secretary of Defence, Mr Caspar Weinberger, and senior US Navy officials were not informed. The White House was also kept in the dark and Mr Frank Carlucci, current Defence Secretary, was only briefed on Monday.

The criminal investigation hinges on the role of defence consultants, some of whom worked at the Department, who are alleged to have bribed Pentagon procurement officials to secure inside information on bid contracts, which they then passed to clients.

On Tuesday, FBI agents raided 38 homes and offices of defence contractors, including McDonnell Douglas, United Technologies' aircraft engine subsidiary Pratt & Whitney, Litton Industries, Northrop and Unisys.

A former chief of research at the Department of the Navy, Mr Melvyn Paisley, a close associate of a former Navy Secretary, Mr John Lehman, has come under scrutiny, as have five former and present Pentagon officials. Mr Paisley's Virginia home and his Washington office were searched on Tuesday.

Senator John Warner, the Virginia Republican and former US Navy Secretary, said the case involved 15 companies and included cash payments and gifts of cars. "In many cases, they paid $500 to $1,000 to a government employee for proprietary information, then went out and sold it for more than $50,000," he said.

Senator Warner's remarks – made in private to Senator Sam Nunn of Georgia, chairman of the Senate Armed Services Committee – were picked up by a TV station's microphone during a pause in a Senate hearing.

Mr William Sessions, head of the FBI, said the inquiry was entering its final stages. However, thousands of documents seized during searches this week will need to be reviewed, an official said.

British trade gap widens

Continued from Page 1

The deterioration in the trade account is far greater than many independent economists had forecast, and served to confirm their view that Britain will record a large current account deficit. On the basis of the first quarter, Britain is running an annualised current account deficit of more than £11bn.

In the House of Commons, Mr Lawson dismissed opposition claims that the latest figures showed a payments crisis already existed.

Foreign exchanges showed no immediate reaction to the balance of payments figures. The pound closed in London unchanged against the dollar and the D-Mark at $1.7865 and DM3.1325, respectively. Sterling closed in New York at $1.7915. The dollar closed in New York at DM1.7502.

The detailed first quarter figures show Britain earned much less from services, transport and its investments abroad than the CSO had first estimated. Of the £900m increase in the deficit, £600m was accounted for by the overestimation of the invisible revenues.

The lower invisible earnings is almost certain to lead the CSO to cut its estimate of monthly earnings on this account from £600m to around the £400m actually recorded monthly in the first quarter. The recent April trade figures were calculated on the basis of the higher estimate, and such a change would put the current account deficit for the first four months of the year at £3.5bn.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	24	75	Malta	F	30	86	Rhodes	S	28	82
Algiers	T	19	66	Edinburgh	C	16	61	Manchester	S	19	66	Rio de Jo	R	23	73
Amsterdam	C	18	64	Faro	F	22	72	Manila	F	32	90	Rome	F	29	84
Athens	F	34	93	Florence	S	27	81	Melbourne	S	12	54	Salzburg	F	23	73
Bahrain	F	40	104	Frankfurt	F	27	81	Mexico City	-	-	-	San Francisco	C	14	57
Bangkok	F	35	95	Funchal	F	21	70	Miami	F	30	86	Seoul	F	27	81
Barcelona	S	24	75	Geneva	S	24	75	Milan	S	26	79	Singapore	T	24	75
Beirut	F	31	88	Gibraltar	F	22	72	Montreal	S	23	73	Stockholm	F	20	68
Belfast	C	15	59	Glasgow	C	15	59	Moscow	C	19	66	Strasbourg	S	23	73
Belgrade	F	23	73	Guernsey	C	14	57	Munich	F	21	70	Sydney	R	17	63
Berlin	F	23	73	Helsinki	F	20	68	Nairobi	F	19	66	Taipei	F	36	97
Biarritz	R	15	59	H. Kong	F	32	90	Naples	S	28	82	Tangier	F	21	70
[illegible]	-	-	-	Innsbruck	T	20	68	Nassau	C	31	88	Tel Aviv	S	31	88
Bordeaux	C	21	70	Inverness	C	15	59	New Delhi	C	40	104	Tenerife	S	24	75
[illegible]	C	21	[illegible]	Islamabad	F	40	104	New York	C	35	95	Tokyo	F	28	82
[illegible]	C	27	[illegible]	Istanbul	C	27	81	Nice	S	22	72	Toronto	F	34	93
B. Aires	F	16	60	Jakarta	F	33	91	Nicosia	F	33	91	Tunis	S	39	102
Cairo	F	37	99	Jersey	C	16	61	Oporto	F	18	64	Valencia	R	22	72
Cape Town	[illegible]	18	[illegible]	Jo'burg	C	14	57	Oslo	F	22	72	Venice	S	26	79
[illegible]	R	27	81	Lima	F	18	64	Paris	S	26	79	Vienna	S	23	73
Casablanca	F	21	70	Lisbon	C	20	68	Peking	S	32	90	Warsaw	F	19	66
Chicago	C	31	94	London	C	20	68	Prague	S	20	68	Washington	F	23	73
Cologne	C	18	64	Los Angeles	F	24	75	Reykjavik	C	9	48	Zurich	F	23	73
Copenhagen	S	21	70	Luxembourg	F	19	66								
Corfu	S	29	84	Madrid	F	20	68								
Dallas	F	33	91	Majorca	S	24	75								
Dublin	F	18	65	Malaga	S	26	79								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Japan's growth rate soars

Continued from Page 1.

"We have to keep a close watch on the money supply but the recent high growth does not necessarily lead us to the risk of inflation in the immediate future," he said in an interview.

Although wage increases had shown some moderate acceleration, there were still no capacity bottlenecks developing except in the construction sector which is "really tightening," he said.

Not since the last quarter of 1977 when the annualised growth rate was 11.7 per cent has the Japanese economy expanded at such a pace. The EPA said that, before annualisation, output during the first quarter of this year grew 2.7 per cent in real inflation-adjusted terms.

Domestic demand contributed 2.8 per cent to the total while net exports slipped by 0.1 per cent. Personal consumption increased by 1.4 per cent, capital investment in plant and equipment by 0.7 per cent and spending on private housing by 0.1 per cent, a much slower increase than the 0.8 per cent recorded in the last quarter of 1987.

Leisure investment boom, Page 4

FINANCIAL TIMES
Friday June 17 1988

GE to buy Borg-Warner chemical unit for $2.3bn

BY ANATOLE KALETSKY IN NEW YORK

BORG-WARNER, the Chicago-based industrial conglomerate which was taken private just over a year ago in a $4.2bn leveraged buyout, yesterday agreed to sell its speciality chemicals business to General Electric of the US for $2.3bn in cash.

The Borg-Warner division is the world's leading producer of ABS, an important thermoplastic resin, and was considered the crown jewel of the company's industrial empire.

Its sale will leave Borg-Warner with two core businesses - automotive components and information and protective services, including credit checking services and cash transportation.

The cash generated by the sale will put Borg-Warner's owners, an investment group led by a Merrill Lynch leveraged buyout fund, well on the way to repaying the $4bn of debt they assumed in last year's LBO.

In the past 12 months the company has raised about $1bn by selling its commercial finance arm, its industrial products business and a few other divisions.

For General Electric, the deal seems to represent an attractive opportunity to expand the speciality materials business which the giant industrial and financial services group has identified as one of the main pillars of its long-term corporate strategy.

GE plastics makes a range of high strength thermoplastics which it said would fit well with Borg-Warner's ABS production.

As a result of the acquisition, as well as a silicones joint venture recently formed with Union Carbide, GE Plastics will become one of the world's leading manufacturers of specialty materials, with worldwide sales of more than $5bn in 1989.

This year GE Plastics' sales are expected to be $3bn. Borg-Warner's chemical business had sales of $1.25bn in 1987.

ABS, Borg-Warner Chemical also produces polymer alloys, styrene monomers and other specialty chemicals. However, analysts estimate that 75 per cent of its earnings come from the production of 1bn pounds of ABS a year.

Despite the full price paid by GE for the new businesses, Mr Lawrence Bossidy, the company's vice-chairman, predicted there would be no earnings dilution and that the Borg-Warner businesses would contribute five cents a share to GE's net earnings in 1989, after taking account of all acquisition costs.

Crash costs James Hardie A$72.7m

By Our Financial Staff

JAMES HARDIE Industries, an Australian building products and paper company, has written off all the A$72.7m (US$58.6m) unamortised goodwill on its books, in a review which it said was prompted by the October stock market crash.

The move, together with other smaller extraordinary losses, left Hardie with an attributable deficit of A$20m for the year to March, compared with bottom-line profits the previous time of A$62.9m.

In other respects the year was good, with sales up 16.2 per cent to A$1.74bn and net operating profits of A$70.44m against A$60.58m.

The company still felt able to pay an increased total dividend of 17 cents a share compared with an adjusted 15.23 cents.

Hardie, which recently signalled plans to split into four separately quoted businesses, said all divisions improved their performances, particularly in the second half.

The Spicers paper division would be spun off later this year, directors added yesterday. Disposals of non-core operations are expected to raise A$150m by the end of 1989.

Saudi charts its course downstream

BY MAX WILKINSON AND ANDREW GOWERS IN LONDON

SAUDI ARABIA'S decision to clinch a deal to buy an $800m half share of three Texaco refineries and associated petrol stations springs from a long-standing ambition to move into the "downstream" part of the oil business.

As long ago as 1974, Sheikh Ahmed Zaki Yamani, the former Saudi oil minister, was canvassing the idea of buying or constructing refineries to add value to Saudi crude and to secure long-term markets.

However the difficulty then, as now, was that high grade refineries capable of converting the heavier fractions of the barrel into lighter spirits were not for sale.

The older refineries which major oil companies have been closing or selling would not be much use to a country taking a long-term view of the markets unless it were prepared to commit a very large amount of capital into upgrading the facilities.

For Saudi Arabia, this has been compounded by its lack of technical and managerial expertise and by a patchy record in managing large projects.

In the event, the lead in downstream integration among Gulf producers was taken by Kuwait, which has a long tradition of aggressive involvement in commerce. In 1981, the newly-formed Kuwait Petroleum Corporation bought Santa Fe International, the US oil exploration company, following this two years later with the purchase of Gulf Oil's refining and marketing operations in the Benelux countries and in Scandinavia.

Mr Hisham Nazer

Following further purchases including a small independent chain of petrol stations in the UK, KPC now owns 4,500 outlets in seven countries with refineries in Rotterdam and Gulfhaven.

When the rebuilding of its Mina Abdullah refinery is completed, with a capacity of nearly 200,000 barrels a day (b/d), Kuwait will have a total refining capacity of about 700,000 b/d - about 70 per cent of its maximum output agreed with fellow members of the Organisation of Petroleum Exporting Countries.

Although Saudi Arabia has built seven refineries on its own soil, including one export refinery as a joint venture with Shell and another with Mobil, it has looked with envy at the much greater flexibility which Kuwait achieved in disposing of its crude at times of excess supply.

The Saudis have also noted the foothold which Venezuela, another Opec member with growing downstream interests, has been able to build in the all-important US market, as well as the purchase of a 5 per cent stake in France's CFP-Total by Abu Dhabi and Kuwait's 22 per cent interest in BP.

The lesson was particularly obvious in 1986, when oil prices collapsed and Saudi Arabia was obliged to move to a policy of "net-back" pricing in order to shift its crude. The netback formulas guaranteed refiners a set margin as crude prices and product prices fell.

When Mr Hisham Nazer took over from Sheikh Yamani as oil minister in the autumn of 1986, he started actively to look at ways of expanding downstream in parallel with his reorganisation of the domestic management of Saudi Arabia's oil business. He likes to talk grandly of a "global sectoral integration in the energy business" which is supposed to advance Saudi Arabia's desire for "stability and economic rationality in the world energy market".

What this means in effect is using joint ventures – in which the kingdom argues its petrochemical industry has given it significant experience – to gain a stake in key Western markets and to give Western companies security of supply.

Texaco was a logical partner because of its need for cash and its long-standing association with Saudi Arabia's oil business. Together with Standard Oil of California, now Chevron, it was one of the first companies to prospect for oil in the kingdom in the 1930s. It is an involvement that has lasted to this day in the form of the Arabian American Oil Company (Aramco), the Saudi-owned but Delaware-registered company which takes care of oil production within the kingdom.

The deal announced yesterday was a departure from Saudi Arabia's hitherto low-profile approach to foreign industrial investments. It should also give Mr Nazer a boost in his efforts to turn Aramco into an integrated national oil company. He has been working over the past eighteen months to rationalise the industry by splitting up Petromin, which is supposed to be in charge of refining, marketing and distribution within the kingdom.

However, it is not clear that the deal presages similar moves with the other Aramco partners – Mobil, Exxon and Chevron – or with oil companies elsewhere. There are signs that the other US oil majors have been distinctly unenthusiastic about Saudi attempts to cajole them into restructuring their relationship with Aramco by entering into similar joint ventures.

Pennwalt shares soar on news of possible bid

By Roderick Oram in New York

SHARES of Pennwalt, a Philadelphia-based chemical and drug maker, soared yesterday on news that an investor group with a 6.5 per cent stake might launch a takeover or some other action to boost shareholder value.

The stock, which jumped $4 to $74¾, to value the company at about $850m, has more than doubled since October because analysts have been citing the company as an ideal takeover target.

Not only are its existing businesses strong but it is also steadily developing its own line of prescription drugs.

Centaur Partners, the investor group, said it was seeking a meeting with Pennwalt's management to propose a friendly transaction. It said it might buy more shares in the open market and had already talked to third parties.

SmithKline forecasts 10% earnings fall for 1988

BY OUR FINANCIAL STAFF

SMITHKLINE BECKMAN, the US pharmaceutical group, expects operating earnings for the year as a whole to be 5 to 10 per cent below the $877m of 1987.

The company attributed the predicted decline to lower-than-expected sales and higher trade inventories of Tagamet and Dyazide, its two leading US pharmaceutical products.

Earnings per share for the year are also expected to post a decline of between 5 and 10 per cent from the $4.50 reported for 1987.

Second and third-quarter operating earnings are forecast to be 20 to 25 per cent below those of a year earlier.

The company said 1988 sales of Tagamet, an anti-ulcer drug, would be below those recorded for 1987.

It said it had assumed it would maintain or improve its market share with Tagamet.

But aggressive promotion and a joint marketing agreement with Du Pont had not paid off soon enough to help reduce trade inventories.

Sales in 1988 of Dyazide, which combats high blood pressure, will also be below those of 1987 due to trade stocking and generic competition.

Mr George Ebright, president and chief operating officer, said SmithKline Beckman would move aggressively to restructure its global pharmaceutical business and corporate staff to enhance its competitive position, causing a one-time charge later this year.

"We're aiming at substantial cost savings. The result will be a favourable impact on earnings beginning in 1989."

The company said the projection of earnings per share for the year excluded the effects of the charge.

CRA in metals unit merger talks

CRA, the Melbourne-based mining affiliate of Britain's RTZ, is discussing a merger of its base metals operations with those of North Broken Hill, forming what analysts said would be Australia's largest zinc producer.

The companies said the talks remained exploratory. North this year took over Peko-Wallsend in the country's biggest mining merger.

A combined operation would eclipse MIM Holdings in zinc, while CRA and North would also put in their involvements in lead.

Nova wins Polystar with higher C$2bn bid

THE EIGHT-MONTH takeover battle for Polysar Energy and Chemical, eastern Canada's largest petrochemical producer, is over, following agreement on a sweetened bid of almost C$2bn (US$1.64bn) by Nova, the western Canadian energy group, writes Robert Gibbens in Montreal.

Nova, headed by Mr Robert Blair, will link up its own primary and secondary petrochemical business in Alberta with Polysar's in Ontario to become by far the largest producer in Canada.

The Federal Government is not expected to intervene, because Canadian petrochemical prices are set by the US Gulf Coast, and the Canadian industry will have to compete internationally.

Mr Blair also gets 51 per cent of Canterra Energy, Polysar's oil and gas subsidiary, with oil and gas reserves in Western Canada. This may be sold to Husky Oil, which Nova controls in partnership with Hong Kong interests.

Mr Bernard Isautier, Polysar's president, and an executive with Canterra when it was the French-owned Aquitaine company of Canada in the 1970s, won his fight to maximise Polysar shareholder values.

In this he had the petrochemicals market on his side. Prices have soared this year, bringing a huge increase in Polysar profits. Mr Isautier had already paid about C$10 a share in distributions to Polysar holders during the fight for control.

The takeover mechanism has been determined by the legislative limit that holds any single shareholder in Polysar to a maximum of 25 per cent. Nova had already reached this limit. The deal requires Nova to buy the Polysar assets. The cash will be distributed as a dividend to all Polysar shareholders except itself.

Nova will pay C$14.50 cash plus half a Nova share, together worth C$20.31 a share, for each Polysar common, up from its C$17 a share of last week and comparing with C$21.25 asked by Polysar.

Last Sunday Mr Blair said he would not pay more than C$17 a share.

INTL. COMPANIES AND FINANCE

Daimler-Dornier dispute halts aircraft development

BY ANDREW FISHER IN FRANKFURT

A BITTER dispute between Daimler-Benz, the West German motor and industrial concern, and family shareholders in the Dornier aerospace company has halted development work on a new commuter aircraft, which requires financing of DM700m ($402m) for production in the 1990s.

With the stopping of this project, the security of many of the 4,000 Dornier jobs in its aircraft division have been put at serious medium-term risk, Mr Rolf Christ of Dornier said. While it was too early to draw firm conclusions about employment, the board of Dornier said it would look immediately at alternative ways of continuing in the aircraft business.

The ending of work on the 30-seater Do 328 aircraft project occurred after attempts by Daimler, which owns 65.5 per cent of Dornier, to push through a DM300m capital increase at the aerospace company to help secure the financing and put it on a firmer financial basis as a builder of civil and military aircraft. Daimler sees Dornier as an integral part of its ambitions for reshaping Germany's aerospace industry, which could also involve a stake in Messerschmitt-Boelkow-Blohm if the Government removes financing risks on the Airbus project.

But the Dornier family members have argued that under the terms of the original takeover contract in 1985, Daimler should put in the extra funds by adding to the subsidiary's reserves. Daimler in turn has said Dornier needs a strong capital base if it is to request Federal Government development aid, which could total some DM350m for the Do 328.

Dornier has also been talking to potential foreign partners about the financing of a further DM150m of the aircraft's development and pre-production expenses. Currently, several hundred Dornier designers, engineers and other workers are employed on the Do 328.

The company said it decided to stop the project after Daimler and the family members had failed to agree on the best way of putting in further finance. Under the 1985 takeover, the approval of 87.5 per cent of the capital is needed for an increase.

The Dornier family said it was ready to participate in the capital increase – its share would be some DM90m – but Daimler said it had requested dividend and other guarantees which could turn out to be far too costly.

Daimler also said the Dornier family members disagreed among themselves. This was denied by Mr Conrado Dornier, a grandson of the founder, Mr Claude Dornier.

Nokia sees strong sales but lower profits

By Our Financial Staff

STRONG SALES but lower profits were yesterday forecast by Nokia, Finland's biggest stock market listed company with interests ranging from electronics to paper.

The company said turnover for 1988 was expected to increase by around 60 per cent to more than FM22bn ($5.35bn) but that after non-recurring costs in electronics, its biggest operating division, profits for the group as a whole would decline.

Nokia has grown rapidly by acquisition recently and sales for the first four months reflect this process. During the period, it acquired the computer operations of Ericsson of Sweden and purchased the consumer electronics side of Standard Elektrik Lorenz of West Germany.

Its main acquisition thrust has been to expand its electronics division which, for the first four months, accounted for more than 60 per cent of total turnover.

Sales for the four months rose by 68 per cent to FM6.8bn with electronics sales rising from FM1.8bn to FM4.2bn. Profit before tax for the period rose from FM262m to FM312m and included FM180m of profits from the disposal of shares in a local pulp group.

Nokia said the outlook in its main markets was expected to remain satisfactory.

Schneider wins Télémécanique

BY GEORGE GRAHAM IN PARIS

SCHNEIDER, the French electrical equipment and construction group, has received the go-ahead from the Paris stock exchange authorities for its FFr8.1bn ($1.37bn) offer for Télémécanique, the industrial automation company.

The two sides yesterday declared a cautious peace after one of the most rancorous takeover battles the Paris bourse has seen.

Mr Jacques Valla, chairman of Télémécanique, yesterday met Mr Didier Pineau-Valenciennes, the head of Schneider, and declared that he was ready to work out with him the best possible conditions for his company's future development

Schneider has offered FFr5,000 a share, or FFr5,500 in a year's time, considerably less than the FFr5,400 a share it offered in March. The stock exchange authorities, under pressure from the Government in the run-up to the presidential election, delayed registering that bid, from which Schneider subsequently withdrew.

Télémécanique has been a pioneer of employee share ownership in France, and the Schneider takeover bid, bitterly opposed by the workforce, was viewed as politically sensitive by the then Finance Minister, Mr Edouard Balladur.

However, Mr Roger Fauroux, the new Industry Minister, has taken a much more positive attitude to the Schneider bid than his predecessor.

The affair has left a sour taste at the Commission des Opérations de Bourse, the stock market regulator, which originally took the view that the offer was irrevocable once it was officially lodged, but the COB has been forced to accept that the stock exchange's failure to register the bid in the normal five-day time limit made it impossible to insist on the higher offer.

Dealings are due to resume in Télémécanique on Monday and Schneider, which already owns around 23 per cent of the company, is expected to complete its bid successfully.

Mild winter weather puts Baltica ahead

By Hilary Barnes in Copenhagen

MILD winter weather contributed to a strong first-quarter result for Baltica, the Danish insurance group.

The holding company reported net profits of DKr118m ($17.8m) and capital gains of DKr260m. Group equity capital increased to DKr4.63bn during the year.

The group confirmed a decision, announced provisionally last week, to seek a listing on the London Stock Exchange. As a result it plans to make a DKr50m increase in its capital.

CGE's engineering unit expands electrical side

BY PAUL BETTS IN PARIS

ALSTHOM, the heavy engineering subsidiary of the French Compagnie Générale d'Electricité (CGE) group, has acquired the electrical gauging and relaying activities as well as the electrical transformer businesses of Schlumberger Industries, the Franco-American oil services group.

The deal reflects the current trend of concentrations in the electrical engineering sector. Alsthom has for some time been seeking to expand its size in this sector to improve its international competitive position especially after the Asea-Brown Boveri (ABB) merger last year.

The French group has also adopted the same policy in its railways and electromechanical sectors by recently negotiating an agreement to acquire control of the electromechanical and transport operations of the Belgian ACEC group.

Terms of the Schlumberger deal were not disclosed. But the operations acquired by Alsthom involving the Enertec and Balteau brands had sales of about FFr600m ($101.5m) last year.

Schlumberger Industries is understood to have been looking for some time for a partner to acquire these electrical gauging and transformer operations because it felt they did not have the necessary size to stand alone in the current competitive electrical engineering environment.

Montana shows high annual earnings

By Judy Dempsey in Vienna

MONTANA, the Austrian group specialising in biochemical products, mining and financial services, reported high profits for 1987.

Net profits increased from Sch62m to more than Sch87.2m ($7.1m) last year. A dividend of 20 per cent was paid to the shareholders. Turnover also increased by Sch50m to Sch1.6bn for the same period.

Mr Karl Kahane, the chairman, also announced the 1987 results for Jungbunzlauer, which produces and markets citric acids and in which Monatana has a majority shareholding.

Jungbunzlauer net profits rose by Sch43m to Sch348m in 1987 while turnover decreased from Sch836m to Sch815m or 2.5 per cent, due partly to the fall in dollar prices and stiffer competition.

Cockerill halves losses

BY DAVID BUCHAN IN BRUSSELS

THE COCKERILL Sambre group, which includes the biggest Belgian steelmaker, has managed to halve its losses from BFr4bn in 1986 to BFr1.8bn ($49.3m) last year as a result of better prices and productivity, the company said yesterday.

But predictions that the group's financial results could move into the black this year are considered risky because of the uncertain state of the European steel industry.

With generally booming steel demand, the European Commission has recommended an end to the output quotas it has assigned individual companies for different products since 1980. EC ministers are due to decide on the industry's future next week.

Cockerill Sambre, the result of the 1981 merger between Cockerill of Liege and Hainault Sambre of Charleroi, is known to be keen for the quota system to be retained.

It gives it a guaranteed market share which it might not otherwise get in view of Belgium's relatively small home market. The company's annual general meeting is due on June 27.

INTERNATIONAL COMPANIES AND FINANCE

The chief executive of New Zealand's largest company talks to **Dai Hayward**

Hugh Fletcher looks for a new challenge

MR HUGH FLETCHER, chief executive of Fletcher Challenge, New Zealand's largest company and the world's third largest paper and forestry group, is the most powerful industrialist in the country, at 40 – but he plans to step down in five or six years.

"I believe it is wrong for any person to have the same job for more than a decade. Power corrupts. I won't be here when I'm 50. I will get out while I am still young enough to be good in another useful job."

He has no specific plans as to what, or in which sphere, that job might be. The post of chief executive at any other New Zealand company would have little appeal after running Fletcher Challenge. The board is aware of his intention to move, though, and a shortlist for his position is already emerging.

Mr Fletcher is the third generation of a family which built Fletcher Holdings into a successful industrial and investment company, merging it with Challenge Corporation in 1981. Today he runs a company with 37,000 employees worldwide, a turnover of NZ$5.8bn (US$4.1bn) and total assets of NZ$8.1bn. More than half these assets are outside New Zealand. Hugh Fletcher has been a driving force in the global expansion which has proceeded rapidly over the past four years.

Its operations in New Zealand, Australia, Canada, the US, Chile and countries in the Pacific Basin cover three main categories – forestry, building and construction, and primary industries originally based around New Zealand's agricultural sector but now involving extensive local and overseas fishing operations.

Last year's net profit of NZ$351.1m was 48 per cent up on the previous year and this year the company is on track to make NZ$500m – a record for any New Zealand company. Reflecting its asset spread, over half the earnings will come from overseas operations which Mr Fletcher has guided into financially successful undertakings.

He joined Fletcher Holdings as research officer in 1969 while still at Auckland University. The next year he was awarded a fellowship to the Stanford School of Business in the US, gaining a Master of Business Administration degree. Coming home to the job of personal assistant to Sir James Fletcher, his father, Hugh was also, at 25, made responsible for the group's investments.

Over the next few years he played a major role in reshaping company philosophy and restructuring the management system. Executives are given wide responsibility – but linked to accountability.

Management structures are on a flat organistional plane rather thanpyramidical. The company is divided into 14 sections which in turn are highly divisionalised. "Our organisational philosophy is based on creating small autonomous management units, delegating decisions to those closer to the problems while at the same time expecting accountability for their decisions."

Some who could not stand the close scrutiny have left the company, often for successful careers with other companies.

Last year Fletcher paid some US$120m for forestry and newsprint operations in Chile. The decision – which aroused criticism from opponents of that country's political system – was an example of management involvement and discussion.

"It is obvious that, because of the size we had reached in New Zealand, future growth would have to be largely overseas. We asked: 'Where are the big opportunities?' – we had already moved into Canada. Chile with its timber resources, which slotted into our existing operations, was another strong possibility.

"Politics was a concern. The discussion on whether or not we should go into Chile involved a dozen top management people – there were different views. Some thought that at some time we may have to terminate our operations there. Others thought that it would be morally wrong to buy into that country.

Hugh Fletcher: 'I won't be here when I'm 50'

"It was a deliberate decision. We decided to move into Chile but we have elected, quite deliberately, to put a limit on our expansion there."

The expansion into Chile gave access to extensive radiata pine resources. These have helped Fletcher Challenge expand and develop its worldwide forestry marketing operations. The drive to expand overseas has grown steadily since 1982. Fletcher Challenge now owns huge forestry and news print interests in Canada, most recently paying about C$570m (US$469m) last November to buy the remaining half of British Columbia Forest Products.

It also has a construction company in Hawaii, housebuilding, construction and property development operations in Australia, a home building company in California, investment in Australian and Danish fishing companies, and meat marketing interests in the UK.

Its growing internationalism has also established the company in world money markets. Last year it had no difficulty borrowing NZ$1.3bn from overseas, going on in March to raise NZ$750m from a group of European, US, Canadian and Japanese banks to finance its NZ$1bn-plus purchase of Petrocorp, the energy group bought from the New Zealand Government.

When accessing funds, the company seeks to match offshore liabilities with offshore assets to reduce exposure to foreign exchange variations.

It was a chance remark that led to the acquisition of the Crown Zellerbach Canada forestry company in late 1982, Fletcher's first big North American foray. Mr Fletcher was at a business conference when he overheard an executive of Crown Zellerbach mention that the US parent company might consider selling off its Canadian operation.

Always quick to realise the potential of a situation, he decided to find out more – arranging to sit beside the Canadian executive on a bus taking delegates to a factory inspection.

From this Mr Fletcher secured a tour of the Crown Zellerbach Canadian facilities. "I liked what we saw. These fitted almost exactly into the specifications we needed for overseas expansion. However, the hardest part of the whole operation was to convince Crown Zellerbach USA that we, from New Zealand, were credible purchasers.

"Our team started three months of very tortuous negotiations where we were really arguing them down to a final price to NZ$330m. They loaned us back half the purchase price and we were lucky to get such a good deal."

He now says the acquisition of Crown Zellerbach Canada was the most important strategic move the group has made since the merger which produced Fletcher Challenge.

Despite its number one ranking in New Zealand, Mr Fletcher does not ignore the possibility that the company could be open to a takeover bid. He sees part of the answer to this in winning the loyalty of shareholders by creating wealth. He agrees, though, that even with a share price he views as currently undervalued, it would be difficult for any company to acquire the whole of Fletcher Challenge.

Foreign forestry companies might eye with envy Fletcher's paper and pulp operations, but it would now be difficult to separate these from its other diverse operations. Politically and historically there would be problems in New Zealand for any would-be corporate raider.

The largest single shareholder is the staff pension fund which holds more that 15 per cent of the equity. Although a strong critic of New Zealand's labour laws and union practices, which he sees as too inflexible in the climate of economic change New Zealand is undergoing, Mr Fletcher believes strongly in staff shareholding as a way of spurring performance.

Mr Fletcher is a sometimes severe critic, sometimes fan of the New Zealand Labour government and its economic policies. He believes the free trade theories espoused by Treasury officials will not work for New Zealand – partly because of the many examples of trade discrimination which operate against it.

At the same time he welcomes the deregulation of the internal economy and wants this extended further to include such government institutions as railway and electricity supply. He also says that reducing taxation by more than half, to 28 per cent, has been a "remarkable" feat.

Despite his criticism of the Government, Mr Fletcher was invited to become chairman of Air New Zealand – a job he accepted and which he relishes.

Mazda doubles interim profits

BY OUR FINANCIAL STAFF

MAZDA MOTOR, the Japanese car and truck maker which is nearly a quarter owned by Ford Motor of the US, more than doubled its profits in the six months to April as it embarked on a recovery from a bad patch in the previous year.

Parent company pre-tax earnings reached Y10.78bn ($85.3m). Although this was still well below the Y15bn interim level for 1985-86 it compares with only Y5.03bn the year after.

Sales grew 10 per cent to a record Y884.8bn, but officials attributed the gain also to a relatively slow rise in costs. Non-operating profits rose 35.9 per cent to Y11.77bn.

"We had more cost-effective operations during this period," one said. "Sales went up considerably because of our marketing efforts, but costs did not rise that much."

Supported by strong personal spending as a result of measures to stimulate the Japanese economy, domestic sales climbed 10.4 per cent to Y323bn.

Exports rose nearly as fast despite the strength of the yen, gaining 9.8 per cent to Y561.8bn.

Mazda said shipments to Europe were strong – up by 20,000 units to reach 159,000 – though those to the US stalled due to the yen's strength as well as Japanese government-influenced restraint.

In unit terms, shipments to North America fell by 38,000 vehicles to 178,000 in the half-year. Mazda has raised its selling prices in the US on four occasions since August, most recently by 2 per cent last month.

According to Mr Yoshihiro Wada, a vice-president, output at Mazda Motor Manufacturing (USA), the company's Michigan plant which started last September, is planned to rise to a monthly 20,000 cars from 9,000 in May. Start-up costs are likely to hold back results at the consolidated level.

At the same time, Mazda is restructuring its US business, leaving the manufacturing side wholly owned but putting its California-based importing side into a venture where it shares ownership with two big Japanese trading houses. Sumitomo Corporation will hold 30 per cent of Mazda Motor of America and C. Itoh 20 per cent.

The move, which combines three regional distributors for the US, is aimed at bolstering its American presence.

Worldwide, car sales rose by 5.1 per cent to 433,494 units, while 173,000 trucks were sold, a decline of 7 per cent as a result of severe price competition in North America.

Mazda expects parent pre-tax profits of Y23bn for the full year to October, up 127 per cent. Mr Wada said this assumes a yen/dollar rate of Y125 yen. Sales are estimated to rise by 13.6 per cent to Y1,820bn.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

David Lascelles reports on the meeting of bank supervisors in Basle

Reaching for a capital solution

AS INTERNATIONAL bank supervisors in Basle prepare to put the finishing touches to their capital convergence accord, there are indications that some last-minute changes may be made, although they are likely to be less far-reaching than many bankers would wish.

The accord is designed to create a common capital requirement for all the world's major banks. Mr Peter Cooke, the Bank of England official who chairs the Basle supervisors committee, said in a speech in Chicago last week that three key parts needed to be "reviewed."

This was his first public indication of possible modifications. Although the proposals have been out for comment for several months, supervisors have repeatedly warned bankers not to press for major changes for fear of jeopardising the whole exercise. This led some bankers to complain that supervisors had already set the accord in concrete.

The most sensitive point mentioned by Mr Cooke is the definition of "core capital" which forms the basis of the accord. Under the proposal, banks must have a basic tier of capital consisting of equity and disclosed reserves equivalent to at least 4 per cent of their assets, weighted by their riskiness. They can include a similar amount of second-tier capital consisting of long-term debt and other resources, to bring total capital to 8 per cent.

Mr Cooke said there was a question whether tier one capital should include "other elements." This was a reference to demands by US bankers that they be allowed to count in perpetual preference shares, without which some of them will have difficulty in meeting the new standards. US bankers also want more generous treatment of the goodwill in their balance sheets.

Mr Gerry Corrigan, the president of the New York Federal Reserve, said the US banks had raised "legitimate issues," which supervisors "are looking at aggressively." However, he added: "In my judgment nothing they have raised stands in the way of us being able to complete the programme."

Mr Cooke also said that further work would be needed in establishing the risk weightings for loans to sovereign borrowers. At the moment, the weightings only distinguish between a bank's own country and the rest. For a UK bank this would mean lumping the US together with the shakiest Third World borrowers. However, supervisors have found it difficult to agree on classifications of country borrowers which would not offend some countries.

The third point Mr Cooke raised was the treatment of mortgages. As proposed, these would only be weighted as half as risky as normal commercial loans because of the security of real estate behind them. However, some countries have objected to this treatment as too generous.

Peter Cooke: identifies three key parts for review

Mr Cooke also conceded that the accord fails to make a clear distinction between provisions which are "clean" and can be treated as capital that is generally available to meet losses, and those that are "dirty" and earmarked to cover specific losses. This is another sensitive issue since many banks, particularly in the US, treat their loan loss reserve as capital. However, Mr Cooke said this was too large an issue to resolve before the accord came into force, but added that it would be a priority for his committee's further work.

Generally, the review areas mentioned by Mr Cooke appear to be those to which US banks have raised objections. He did not mention other complaints, for example from the Germans, who feel the core capital definition is too wide, or the British, who want capital to include gains they make from their periodic revaluations of their considerable property holdings.

Mr Cooke also made clear that the proposal was only the start of a drawn-out process which would eventually cover matters beyond lending risks, such as interest rate risk, trading risk in securities transactions, and foreign exchange and liquidity risks. Work had already begun on interest rate and foreign exchange risk, but Mr Cooke doubted they could be incorporated into the present accord.

Officials are expected to complete their work on the accord and present it for approval by the central bank governors at their next monthly meeting.

Intel unveils low cost chip for personal computers

BY LOUISE KEHOE IN SAN FRANCISCO

INTEL, the leading US microprocessor manufacturer, yesterday unveiled a long-awaited low cost version of its 386 microprocessor. It claims it will make the power of high performance 32-bit personal computers available in lower-priced standard business class personal computers.

Intel said it is already supplying the new micros to several personal computer makers including Compaq, which is expected to launch a product based on the 386SX next week.

According to Intel, the 386SX combines the performance benefits of the Intel386 32-bit micro model with a system cost typically associated with 16-bit computer systems based on Intel's older 286 micros currently used in a wide variety of IBM PC AT clones, as well as in the mid-range models of IBM's newer PS/2 personal computers.

Industry analysts expect the 386SX to quickly set a new standard for low cost personal computing that will gradually make obsolete 286 based personal computers.

While Intel licensed several other chip makers including AMD and Siemens to produce the 286 under "second source" agreements, the company has so far refused to create second sources for the 386 chips. With the launch of the 386SX for use in high volume standard business personal computers, however, Intel is likely to come under increasing pressure from customers to create alternative sources of supply.

Advantages of the 386SX include higher speed and the need for fewer support chips. The new chip will also be capable of running more sophisticated software.

Enichem sees fast growth after 1987 profits surge

BY ALAN FRIEDMAN IN MILAN

ENICHEM, the Italian state-owned chemicals company which is currently negotiating a merger with the chemicals businesses of the Montedison Group, last year achieved a net profit of L130bn ($100m). The Enichem profits, compared with a 1986 net result of just L10bn, reflects years of restructuring.

In the first five months of the current year, according to Mr Lorenzo Necci, the Enichem chairman, the company's pre-tax earnings were nearly doubled from L130bn to L250bn. Mr Necci, who is rumoured to be a leading candidate for the chairmanship of the new Enichem-Montedison joint venture, said yesterday that profits would continue to grow on the back of low raw material prices and strong demand.

Enichem and Montedison are supposed to agree on a business plan by July 31 that will allow the creation of a new joint Italian chemicals company by early next year. The new company is expected to have sales of US$10bn a year and will have a debt equity ratio of at least one-to-one, according to Mr Necci.

The question of how much debt Montedison will be able to transfer to the new venture is at the heart of current negotiations. Enichem is likely to transfer its entire debt of L2,100bn to the venture, while Montedison is thought to be hoping to rid itself of as much as L4,000bn by transferring the debt to the new concern.

Mr Necci said that Montedison and Enichem would each own 40 per cent of the new company, while the remaining 20 per cent of the share capital would be placed with Italian and foreign institutions.

Shearson in Philippine equity fund venture

By Stephen Fidler, Euromarkets Correspondent

A FUND for equity investment in the Philippines based on the Government's debt-to-equity swap programme has been launched by Shearson Lehman Hutton and the International Finance Corporation, the private sector investment affiliate of the World Bank.

The fund, the First Philippine Capital Fund, will initially be for $65.5m. The fund plans to invest particularly in export-oriented sectors such as electronics and agribusiness.

The investments will be in newly-issued shares, often in joint ventures with Philippine and foreign partners. Other investments will include privatised state enterprises, venture capital companies and companies in need of financial restructuring.

The fund has been encouraged by the Philippine Government, which sees it as helping to ensure that investment is made in priority sectors.

It will be constituted as a Delaware limited partnership, of which Shearson Lehman International Investments will be general partner. Shearson will also be responsible for the identifying investments and for day-to-day management. Seven other financial institutions in the US, Europe and Japan have joined as partners.

The IFC, a special limited partner in the fund, has contributed in cash, while the other partners have contributed Philippine public sector foreign loans.

VW plans Paris, London and Tokyo listings

By Paul Betts in Paris

VOLKSWAGEN, the West German car group, plans to introduce its shares on the London, Paris and Tokyo stock exchanges in the final quarter of this year as part of efforts to widen its presence on international financial markets.

Mr Dieter Ullsperger, VW's finance director, said yesterday the Paris and London listings were expected to coincide with the Paris Motor Show next October and the Tokyo listing would follow.

He also confirmed that the company planned a DM800m Eurobond issue later this year supported with warrants for up to DM200m in preference shares.

Mr Ullsperger added that the Tokyo listing was also designed to help support the group's efforts to penetrate the Japanese market. VW expects to see its group sales in Japan increase to about 55,000 VW and Audi cars this year from 42,000 cars last year. The company has a joint venture with Nissan in Japan and with Toyota in West Germany to manufacture pick-up trucks.

Singapore unit for Crédit Lyonnais

By Our Financial Staff

THE MONETARY Authority of Singapore has allowed Crédit Lyonnais of France to open a merchant bank in Singapore, a senior bank official said.

The merchant bank, expected to start business later this year, will participate in corporate finance, including mergers and acquisitions, underwriting of securities, and fund management in Singapore, India, Thailand, Malaysia and Indonesia, he said.

The French bank opened an offshore branch in Singapore in 1979.

Chase reshapes securities side

By Our Financial Staff

CHASE MANHATTAN's board has restructured its business in order to exercise the securities powers granted by the Federal Reserve and upheld by the US Supreme Court decision earlier this week.

Ownership of Chase Manhattan Capital Markets has been transferred from the bank to the holding company in order to allow it to underwrite and deal in commercial paper, municipal revenue bonds, and other activities.

The restructuring "confirmed" actions taken earlier by its management, Chase said.

Chase Manhattan Capital Markets is a primary dealer in government securities and underwrites and deals in municipal securities. It has more than 140 staff underwriting and distributing securities.

Interest rate fears bring sharp falls in most sectors

BY DOMINIQUE JACKSON

FEARS OF rising global interest rates hit the Eurobond market yesterday and prices in most sectors were marked down substantially, eliminating many of the gains posted earlier this week in a short-lived rally which followed the release of favourable US trade data on Tuesday.

Profit-taking on Wednesday had begun to pare gains but dealers said they were not prepared for yesterday's barrage of economic news and data which rekindled worries about growing world inflationary pressures.

The fears were ignited early yesterday by a West German newspaper report that the Bundesbank was set to raise the rate on its securities repurchase pact next week from 3.25 to 3.5 per cent. The Bundesbank declined to comment but the news sent short-term money market rates higher and mark-denominated bonds fell around a full point.

Added to speculation that German rates would rise was news that Japanese first-quarter Gross National Product grew at an annualised 11.3 per cent. This reinforced fears which have depressed yen bond markets all week that the Bank of Japan will be forced into a tightening of monetary policy to curb inflation and support the yen.

Bearish UK economic data on domestic earnings growth and balance of payments undermined sterling and depressed both gilt-edged and Eurosterling prices.

Bond prices in most sectors fell further when the US Treasury market in New York opened sharply lower. News that the US had declared a drought emergency in 18 states brought back last week's worries that higher commodity prices will fuel inflation, overshadowing the favourable implications of the unforeseen drop in the April US trade deficit.

Despite widespread nerves and the generally poor tone of secondary markets, several new issues emerged in a wide range of currencies, including four new dollar straight bonds.

Samuel Montagu led a $100m three-year deal at 8½ per cent and 101.05 for Hartford Finance, a vehicle for Aetna Casualty & Surety which is guaranteeing the deal. The lead manager said the yield premium over comparable US Treasuries at launch was 48 basis points (hundredths of a percentage point). This was deemed a little on the tight side and following the slump in the New York market, the deal slipped to trade outside its total 1⅞ fees.

Credit Suisse First Boston brought two dollar deals. The first, for Campbell Soup, was a $100m three-year 8¼ per cent

INTERNATIONAL BONDS

deal at 101 which was launched at a 19 basis point margin over comparable Treasuries. The deal saw healthy initial demand when it was bid well within its total 1⅞ fees, but it was hit hard after the New York market collapsed, slipping to end the day bid at a discount of less 1.5.

The second deal was a five-year bond at 9 per cent and 100⅞ for Skandinaviska Enskilda Banken which was launched at a 75 basis point spread. This was bid around its 1⅞ fees before the Treasury market slump and at a discount of 2⅜ at the close of trading.

Nomura led a one-year $100m 9⅛ per cent bond at 101⅛, for BP America, backed by its parent BP. The deal was not expected to trade widely.

The Province of Alberta issued the largest Canadian dollar deal ever, a C$500m four-year deal at 10 per cent and 101⅛. Lead manager Banque Paribas Capital Markets said the deal, which came at a 39 basis point spread over Canadian government bonds, was bid at a discount equal to its 1⅞ fees.

In equity-linked deals, Japanese contractor Kumagai Gumi issued a $400m five-year bond with warrants through Daiwa Europe on which the coupon was indicated at 4⅛ per cent.

Japanese trading company C.Itoh made a multi-tranche equity-linked issue. NKK Europe and Banque Paribas Capital Markets were joint leads on a Ecu100m five-year deal with warrants on which the coupon was indicated at 3⅛ per cent. Nikko Securities led a $400m five-year bond with warrants on which the coupon was indicated at 4⅛ per cent. In Switzerland, the company issued a SFr300m convertible five-year bond with an indicated coupon of ⅝ per cent through Swiss Bank Corporation.

In yen, Nomura brought the State Bank of New South Wales with a Y20bn step-down coupon deal which matures in March 1993 and is priced at 113⅛. It is not expected to trade widely.

Sanwa International led a Y5bn five-year issue at 5 per cent and 101⅛ for Compagnie Bancaire which is not expected to trade widely either.

In Australian dollars, DKB International led another targeted A$50m for Svenska Handelsbank. The five-year deal is pitched at 7.65 per cent and par and will be redeemed in Australian dollars at a price linked to the Australian dollar/yen exchange rate.

Wood Gundy was the lead manager on a A$50m three-year deal at 13⅛ per cent and 101⅞ for Oesterreichische Länderbank. The issue was bid at a discount equal to its fees of 1⅞.

World Bank affiliate, the International Finance Corporation made its first bond issue in Finnish markka. The FM250m seven-year deal at 9⅛ and 100⅞ was led by Union Bank of Finland.

In Switzerland, Bank Julius Baer fixed the coupon on a SFr60m deal for Japanese manufacturer Takara Standard at ¼ per cent, the lowest level on a convertible deal so far this year.

Nomura also led a A$200m seven-year deal for New Zealand which carries an 8 per cent coupon and is priced at 83⅞ for a yield of 12.19 per cent. The lead manager said this was also a targetted deal.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 16

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month § above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Continued demand for condoms boosts LIG

BY VANESSA HOULDER

STRONG GROWTH in condom sales helped London International Group, the consumer products and services group, boost pre-tax profits by 16 per cent from £27.1m to £31.5m for the year to March 31.

Turnover increased to £302.7m (£252.1m), a rise of 20 per cent, including six month's sales from Hatu-Ico, the Italian condom, toiletries and medical products company acquired in October 1987.

Mr Alan Woltz, chairman and chief executive, said the year ahead should be one of good progress, with investment in the core businesses, continued productivity improvements and the development of new markets for established brands and services.

The health and personal products division was the star performer, with a 54.1 per cent increase in operating profits from £16.6m to £25.5m on turnover of £163.3m (£125.6m). Operating profits were boosted by a £5.5m half year contribution from Hatu-Ico.

Sales of condoms increased by about 20 per cent, as a result of increasing awareness of the Aids crisis. A strong performance was also registered from the surgical glove business, with the newly introduced dental glove, Biogel D taking a 20 per cent share of the UK market in its first full year.

There was a satisfactory performance from the other products in the division although the results of the North American division were hit by the fluctuation in exchange rates. Overall, profits were reduced by about £1m, as a result of translating local currency results into sterling.

Home products and services, which includes photoprocessing and electrical accessories, contributed an operating profit of £12.2m (£9.3m), an increase of 31.6 per cent, on turnover of £100.5m (£75.7m).

The ColourCare photoprocessing business increased sales volumes through market growth and improved market shares, although margins dropped slightly, following several acquisitions. An extraordinary credit of £213,000 was largely due to rationalisation of the acquisitions.

Royal Worcester Spode, the fine china division that is up for sale, suffered losses, and although the order book was healthy, shipments were lower than expected.

Net borrowings increased to £96.7m, compared with net cash of £4.8m last year. The unusually high gearing of 133 per cent is due to substantial increases in condom manufacturing capacity and a significant investment in mini-labs, the issue of a £50m Eurobond to finance the Hatu-Ico acquisition and the write-off of goodwill on acquisitions during the year.

Earnings per share increased by 24 per cent to 17.5p (14.1p). A final dividend of 4.25p (3.65p) has been recommended making a total of 6.3p (5.4p) – an increase of 17 per cent.

See Lex

Scapa up 4.3% despite dollar fall

BY RAY BASHFORD

Scapa Group, manufacturer of *specialist consumer technical* products for the paper and pulp industry, managed a 4.3 per cent rise in pre-tax profit from £34.3m to £35.8m in the year to March 31, in spite of adverse currency movements.

An average 14 per cent fall in the dollar during the period under review led to a £2.4m decline in the sterling equivalent of profits from North America, which is the company's most profitable area of operations.

Operating profit from North America was £21.8m (£22.2m) compared with £11.3m (£10.7m) in the UK and £7.8m (£5.6m) in other countries.

Turnover improved to £242.1m (£229.8m) with the UK replacing *North America as the major* contributor. The company generated a turnover of £91.6m (£87.5m) in the UK while the figure from North America was £89m (£91.7m).

Scapa incurred substantially lower tax charges, thanks to lower US tax rates and a recovery of ACT previously written off in the UK.

These combined to lift post tax earnings 8.4 per cent to £23.2m (£19.5m), giving earnings per share of 26.3p against 22.2p.

The group's plan to concentrate on core activities - led to an extraordinary debit of £3.1m (£2m) and investment in new fixed assets totalled £19.8m.

Directors propose to pay a final *dividend of* 5.42p (4.71p), lifting the total to 7.68p (6.81p).

● **comment**

Uncertainty generated by the volatility of the dollar will continue to colour assessments of the Scapa Group during the current year, although the currency's recent upswing indicates that its impact may be less than in the year to March 31. Currency considerations aside, North American operations appear set to advance as some of the heat has died down in the pricing war of last year and order books remain full. The buoyant conditions in the world pulp paper market leave the company well placed to consolidate its position as a leader in the sector; but earnings growth will be solid rather than spectacular. On a prospective p/e of 9 the shares, at 259p, up 9p, look reasonably rated.

Johnson Matthey makes 20% advance to £61m

BY ANDREW HILL

Johnson Matthey, the precious metals group, returned profits of £60.6m before tax in the year to March 31, an increase of 20 per cent over the 1986-87 pre-tax figure of £50.5m.

The group announced that net borrowings of metals and money had come down over 84 per cent to £20m (£127m), a reduction in net gearing from 56 per cent to 8 per cent. Interest payable decreased from £9.9m to £2.4m.

Turnover rose 14 per cent to £1.24bn (£1.09bn). Earnings per share were up 23 per cent to 24.9p (20.3p) and a final dividend of 4.5p has been proposed, making 7p (5.5p) for the year.

Mr Anderson said the results would have been even better but for the drop in precious metal prices and the weakness of the US dollar in the second half.

As last year, the main contributor to profits was the precious metals refining and marketing operation.

● **comment**

Johnson Matthey's shares fell 17p to close at 293p last night, as observers acted on indications that the company's impressive recovery from its nadir three years ago was beginning to level off. Last year's profits growth owed much to the reduction in interest payable, and revealed a vulnerability to currency fluctuation and platinum price instability, hitherto masked by the company's growth prospects and *confidence in relatively strong* metal prices. Assuming taxable profits of about £67m for the current year, the shares are on a prospective multiple of about 11, which looks somewhat expensive, although platinum and the dollar may have a steadier year. On the plus side, Johnson Matthey's strengths include its involvement in specialist electronic metals and its commitment to catalytic converters, limiting pollution from car exhaust systems. European legislation requiring all new models of car with two-litre or larger engines to be fitted with a catalytic converter could come in as early as this October, with extension of these requirements possible a year later. On that basis it may be worth holding on *to the shares.*

FKI Babcock buys DRI for an initial £1

BY DAVID WALLER

DRI Holdings, one of Europe's largest independent manufacturers of computer peripherals, has been sold to FKI Babcock, electrical and engineering group, for an initial consideration of just £1.

This compares to the £22m value placed on DRI when it was "privatised" via a management buy-out from the British Technology Group in August 1984.

FKI will have to pay a further £3m to £6m, depending on the amount raised from a planned disposal of DRI's disc-drive business. This is still substantially less than the book value of the company's assets, which stood at £24.9m at the end of 1986.

DRI, which makes computer accessories such as disc-drives, printers and VDU screens, was put together by the National Enterprise Board – the forerunner of the BTG – under the last Labour Government. The buy-out was arranged three years ago in line with the current Government's privatistaion strategy, leaving the BTG with a 35 per cent stake.

Originally, it was planned to bring the company to the stock market but this proved impossible as trading conditions deteriorated. For 1986, DRI reported pre-tax profits down by £2.44m to just £163,000 on sales of £56.5m. Last year, conditions worsened and the company went into the red, although the precise figures have not been released.

FKI, which took its present shape last summer when FKI Electricals bought the much bigger Babcock International, was unwilling to comment on the acquisition yesterday.

It is thought that it will seek to apply its fabled rationalisation skills to DRI. Recently, it announced a threefold increase *in pre-tax profits to* £48.5m, partly reflecting vigorous rationalisation at FKI where the workforce was cut by more than 4,000 to 30,000, 25 manufacturing sites were closed down and costs were shaved by £50m. DRI's business is more "hi-tech" than FKI's existing activities.

FKI's offer has received the approval of all DRI's shareholders, which, as well as the BTG, include Mercury Asset Management, with 8 per cent, and the Prudential, British Gas Pension Fund, Legal & General and Gartmore, all with about 6 per cent each. The managers who led the *buy-out put up* £220,000 *for a 4* per cent stake, now worth 4p.

Offer for Mercantile House

BY KEVIN HAMLYN IN HONG KONG AND DAVID LASCELLES

Qwinzy, a small Hong Kong money and foreign exchange broking concern, has said it is considering making a £250m offer for Mercantile House, the broking arm of the British & Commonwealth group.

The proposed offer received a puzzled reaction in the City yesterday where Qwinzy is little known and where observers have been unable to decide how seriously it should be taken.

News of Qwinzy's plans was contained in a press release issued by Mr Richard Lim, a Qwinzy manager, on Tuesday night. The release said that Qwinzy was principally interested in acquiring control of Marshalls, the money broking side of Mercantile House. Qwinzy had put together a group to assist with the bid, and would seek the support of Mercantile's management, it said.

B&C said yesterday that it had no knowledge of a proposed bid. Earlier this year, a deal to sell Mercantile House to Quadrex, the financial services company controlled by Mr Gary Klesch, for £280m fell through, and B&C has been searching unsuccessfully for other buyers since then.

Mr Amir Stivan Johan, Qwinzy's managing director, said in Hong Kong yesterday that his firm was considering taking a 20 per cent stake and management control. Bank loans would be used to finance 60 to 65 per cent of the acquisition, with the remainder coming from the consortium of investors from South-east Asia and Japan. It appears Bank of China could supply the loan.

Mr Johan said that Qwinzy is valued at HK$120m, based on a price/earnings ratio of 15, and made brokerage earnings of HK$80m last year. Earnings have increased fourfold since 1986, he said.

The company was founded by a former Bank of China employee, Martin Quincey Wong, and obtains 35 to 40 per cent of its earnings from dealings with the "sister banks," mainly Po Sang Bank in the area of bullion dealing and Bank of Communications in foreign exchange.

However, Martin Quincey Wong is no longer involved with Qwinzy. Since 1986 it has been owned by Mr Johan, who is a former employee of Astley & Pearce, the UK broking firm, and Ms Chong Siew Lai, a passive shareholder. Qwinzy presently operates only in Hong Kong.

Mr Johan said that Finacor, a large French broking group, was considering buying a 30 per cent stake in his firm, and that approval is currently being awaited for the transaction from the Hong Kong Foreign Exchange and Deposit Brokers' Association and the Association of Banks. Finacor could also be involved in the Mercantile House acquisition if it goes ahead, Mr Johan said.

Bankers familiar with the Hong Kong broking market yesterday described Qwinzy as a small Chinese-owned brokerage firm with local Hong Kong rather than international connections. But they said too little was known of the firm to determine whether it was capable of putting together a bid of the proposed size.

Any acquisition of Mercantile House would have to be cleared by the Bank of England which regulates the money and foreign exchange markets in London.

The failure of B&C to dispose of the company so far has become something of an embarrassment. B&C acquired the whole of the Mercantile House group last year with the intention of keeping its fund management operations and selling off the remainder. The collapse of the Klesch deal led to bitter recriminations and law suits which have still to be resolved.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
Australia Inv. ....int	0.25†	-	-	-	2.7
Body Shop ....int	0.9†	Aug 4	0.6*	-	1.8*
Bradstock ....int	1.5	Sept 29	1.4	-	5
British Gas ....fin	5.5	-	4	8	4
Chemring ....int	7.5	-	6.6	-	18.6
Flexello Castors ....int	1.5	-	1.4	-	4.5
Gold Greenlees ....fin	3.9†	Oct	2.8	5.4	4
Jersey Electric ....int	7†	Aug 26	7	-	25
Johnson Matthey ....fin	4.5	Aug 1	3.5	7	5.5
London Intl. ....fin	4.25	Oct 3	3.65	6.3	5.4
Scapa ....fin	5.42	-	4.71	7.68	6.81
Smallbone § ....fin	3	Aug 5	2.19	5.19	3.61
Splash Prods § ....int	1.5†	July 22	1.1	-	2.2
Unigate ....fin	7.7	July 18	7	12.65	11.5
VSEL Consortium ....fin	7†	-	6	10	8
Zetters Leisure ....fin	nil	-	-	0.55	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ‡Gross throughout. ‡Not less than 1p forecast, against 0.79p adjusting for higher capital.

UK COMPANY NEWS

British Gas tops £1bn in first year

BY MAX WILKINSON, RESOURCES EDITOR

British Gas yesterday announced an increase in its dividend to 8p per share for 1987/88 after reporting an underlying rise in profits of 21 per cent on a current cost accounting basis.

Comparison of profits and dividend is somewhat obscured by the fact that this was the first full year of the company's operation in the private sector.

Reported profits after tax for the year ended March 31 were £569m, almost the same as the actual profits after tax of £571m of the previous year (on a CCA basis).

However, when the company was privatised, the Government placed £2.5bn of debt in its balance sheet. If the 1986-87 results were adjusted to take account of a full year's cost of the debt, the profits figure would fall to £469m. Similarly the 1986-87 dividend for a full year would have been 6.5p.

Pre-tax profits on a CCA basis were £1.01bn in the last financial year – an underlying increase of 13 per cent on the restated 1987 result. On a historical cost basis, 1988 profits after tax were £816m, representing earnings of 19.7p per share and an increase of 20 per cent on the restated 1987 result.

Sir Denis Rooke (l) chairman, and Robert Evans chief executive

Lower oil and gas prices resulted in a reduction of the cost of gas in the year for domestic customers whose prices are regulated by the Government's price formula. However, the company is not obliged to pass on the reduction in its gas costs to industrial consumers in the unregulated market. The average cost of its gas fell by nearly 9 per cent to 17.03p per therm.

British Gas said that lower gas costs consequently helped its profits. However it does not distinguish in its accounts between the profits earned in its captive domestic market and those from the industrial sector.

The company says that in the year it added more than 250,000 customers and an underlying 4 per cent to the volume of its gas sales after allowing for changes in average temperatures. It also improved its own efficiency, reducing the number of employees by 3,776 or 4.4 per cent of its workforce.

The results show an increase of £463m in cash, after allowing for payment of £270m in dividends, £553m in tax and £388m for a 51 per cent stake in Bow Valley Industries, the Canadian oil and gas exploration company. Total cash generated by the business increased by 16 per cent to £1.76bn.

However turnover was slightly down at £7.36bn compared with £7.61bn the previous year, reflecting the lower gas prices. Total gas costs fell 10 per cent – including the gas levy – while the wage bill fell 3.4 per cent to £1.14bn.

At the end of the year British Gas had 2.9m shareholders holding 4.15bn shares.

See Lex

Crescent accused of Companies Act breach

BY NIKKI TAIT

THE LONG-RUNNING battle over Crescent Japan, the £124m investment trust where an American concert party is agitating for unitisation, took another twist yesterday as the concert party claimed that Crescent had breached the Companies Act by failing to make certain shareholder information available.

An extraordinary general meeting is to be held on Monday morning to vote on the unitisation proposals, and the accusation comes just forty-eight hours ahead of the closing date for proxy votes.

The information which the concert party says it requested concerns beneficial share owners behind various nominee names on the register. The Americans say that they first requested this information on March 18, and repeated this on a number of occasions – most recently in letters dated May 26, May 31 and June 7. The letters requested the information within ten days, as stipulated by the Companies Act.

"Prior to June 14, the company's officers denied that Crescent had such information," says the concert party's adviser, Olliff & Partners. However, on Wednesday, Olliff says that the information was released and covered over 200 requests to shareholders, over 400 replies received and over 750 individual beneficial accounts. Last night, Olliff estimated that between 10 and 20 per cent of Crescent's shares could be covered by this information.

It says it has passed details of the breach to the Department of Trade and Industry and the Stock Exchange, although neither body appeared to be aware of the complaint last night.

Crescent countered by saying that in March it did not have up-to-date information to supply, and that – allowing for Bank Holidays and weekends – it had virtually complied with the ten-day limit after the May 26 request. It conceded that there might have been a small "technical" breach in the timetable.

It added that it viewed the latest complaint from the American as "a last-ditch attempt to salvage their position."

The concert party says that it is not attempting to get the meeting postponed, although it claims it has been disadvantaged in soliciting proxy votes. However, Olliff says that its clients reserve all their legal rights against the company and its officers.

Helical Bar has 5.1% of Stanley Miller

BY NIKKI TAIT

SHARES IN Stanley Miller, the Newcastle-based property and building group, jumped a further 22p to 183p yesterday, on news that Helical Bar, the property company run by Mr Michael Slade, had picked up a 5.1 per cent interest in the group.

The holding was bought on June 13. Helical said that before that date it held no shares in Miller. Back in early April, Miller shares were trading at about 56p, but have risen strongly since mid-May.

Yesterday, however, Mr Slade said that the stake was "purely and simply an investment" although he would be very pleased if a trading relationship came out of it. He was not, he added, thinking along the lines of a full bid. "We have considerable commitment to the north-east," he commented.

Yesterday, Mr Harry Midgley, Miller's managing director, added that Mr Slade had been in contact with the company, but had assured the company that nothing unfriendly was intended.

A meeting between the two companies now seems likely. Aside from the Helical Bar stake, a formidable 29.9 per cent interest in Miller is held by North Eastern Investment Trust, a private company owned jointly by Mr Midgley and non-executive director Mr Ian Liddell-Grainger.

Strike at VSEL not likely to hit profits

BY CLARE PEARSON

VSEL Consortium, the naval defence contractor, yesterday said the eight-day old strike by 80 per cent of its workforce could go on for weeks without affecting its profitability.

At the same time, the company, which builds Trident submarines, reported better-than-expected results for the past financial year, with pre-tax profits emerging 17 per cent higher at £17.63m (£15m).

Dr Rodney Leach, chief executive, said of the strike: "We're saving on it at the moment, and our long-term order books means it could go on for several weeks without having a material effect."

But he also said steps were being taken to bring the strike to a speedy conclusion. The dispute, which arose over the management's insistence on a fixed two-week holiday for all, began with an unofficial walk-out last Wednesday at the Barrow-in-Furness yard.

VSEL was re-privatised in a management buy-out two years ago. The group has an order book worth about £2bn, of which the first two Trident nuclear submarines being built at the Barrow yard, constitute about a half.

Apart from these, it is building five other nuclear submarines, four diesel electric submarines and a Type 22 frigate.

In the year to end-March, trading profits were £21.21m (£17.19m) on turnover of £429.59m (£362.21m). After interest payable of £7.33m (£5.34m), and £1.23m of advanced corporation tax, earnings per share were 46.3p (39.8p). The final dividend is being increased to 7p, which makes 10p (8p) for the year, a 25 per cent increase.

Trident will not begin to make a contribution to profits until the end of the current year.

● commentYesterday's apparent implication by VSEL's management that it matters not a jot if the strike drags on for weeks may not have been the most polished exercise in industrial relations, but it certainly reassured the City. The shares rallied sharply by 20p to 483p as the company's upbeat tone filtered through. VSEL's £2bn order book is enviable: it represents some three times current turnover and contains no currency exposure. Not included in that £2bn are the extra two Tridents the Government must order over the next few years and VSEL has the potential to get £350m from a Canadian nuclear submarine export order. As the company begins to take profits from the first Trident submarine this year, pre-tax profits could come out at £22m, putting the prospective p/e below 9 - hardly demanding.

Packer lifts stake in Courtaulds to 4%

Mr Kerry Packer, the Australian entrepeneur, has increased his stake in Courtaulds, textiles and chemicals group, to 4 per cent.

Earlier this year Mr Packer spent almost £50m in buying 13.75m shares, representing 3.5 per cent of Courtaulds' equity. The share buying was conducted surreptitiously on behalf of CP International Investments, an investment vehicle owned by Mr Packer registered in the Netherlands Antilles and run from Hong Kong.

Courtaulds confirmed yesterday that Mr Packer has since bought a further 0.5 per cent of its shares. As a result his holding now stands at 4 per cent.

Beecham to buy own shares

Beecham, the pharmaceuticals and healthcare group, is seeking the authority to buy its own shares in the market. At its annual general meeting, scheduled for July 27, it will ask shareholders' permission for the right to buy up to 10 per cent of its shares.

The company stressed yesterday that it had no present intention to start buying in the shares, but wanted to have the flexibility to do so if it looked as though it would be beneficial to shareholders.

Other companies which have taken such powers recently include Guinness, Associated Newspapers, and Lonrho. Beecham's shares fell yesterday by 5p to 469p.

Beazer has over 96% of Koppers

UK building group Beazer's $1.73bn offer for Koppers, the US chemicals and aggregates group, expired on June 15. At that time Beazer owned or had acceptances for 96.4 per cent of the ordinary shares and 86.1 per cent of the preference shares.

Poultry margins squeezed as Unigate dips to £94m

BY LISA WOOD

Unigate, chilled foods to distribution group, yesterday reported pre-tax profits of £94m for the year to March 31 1988, a 10 per cent decline on the previous year.

The performance was in line with City expectations. The group's problem areas – such as poultry – have received considerable publicity over the past 12 months.

Earnings per share were also 10 per cent lower at 27.6p compared with 30.6p. The directors are recommending a final dividend of 7.7p making 12.65p (11.5p) for the year.

Turnover of £2.2bn compared with £2bn last time. Operating profits dipped to £104m compared with £107.7m. Interest charges rose considerably from £7.4m to £12.6m reflecting acquisitions, which totalled £61m, and capital expenditure of £124m.

The performance of St Ivel – the yoghurt to cream division – improved in the second half with a firming of cheese prices and improved margins on cream and Gold, the low fat spread. Nevertheless, operating profits fell from £21.7m to £20m. Unigate Chilled Distribution, which operates 14 depots, 7 of which are dedicated to major retailers, showed strong profits growth.

Unigate Poultry continued to have margins squeezed in a over-supplied marketplace with profits, £7.2m compared with £11.5m, dented by over £1m by a strike in March.

Profits of £33.5m (£34.3m) at Unigate Dairies were slightly down despite the acquisition of Job's. Rationalisation costs were taken above the line unlike those of the dairy division of rival Northern Foods.

Wincanton, distribution business, continued to show strong growth with an operating profit of £19m compared with £15.9m in the previous year. Wincanton and Unigate Chilled Distribution account for about 23 per cent of operating profits.

Giltspur's profits were down, from £9.7m to £7.3m, because of the sale of the engineering companies and the relocation of Marler Haley's facilities. Expo UK was strengthened by the acquisition of two exhibition service facilities.

US profits, £9.8m compared with £10.5m last time, were adversely affected to the tune of £1.4m by adverse exchange rates. The Black Eyed Pea chain performed well but profits declined at Taco Bueno, the Mexican-style restaurant chain which is under competitive pressure.

Mr John Worby, finance director, commenting on current year trading said: "The poultry market continues to be weak but trading in other major areas, especially Wincanton and St Ivel, started the year reasonably well".

See Lex

Smallbone up 67% to over £2m

BY ALICE RAWSTHORN

Smallbone, manufacturer of bespoke kitchen, bedroom and bathroom furniture, increased pre-tax profits by 67 per cent to £2.1m last year on sales which almost doubled to £28.4m.

Mr Graham Clark, managing director, said that the growth in sales and profits reflected "excellent progress" made during the year. Earnings per share rose to 23.7p (14.9p) and the directors propose a final dividend of 3p making 5.2p (3.6p) for the year to February 29.

In March the group raised £3m from a rights issue. The proceeds eradicated borrowings and will be used to finance acquisitions in the interiors field and to fund further expansion within manufacturing.

The Smallbone of Devizes business in the UK opened two new showrooms for its hand-made furniture, thereby creating a network of 13 outlets. A new factory opened in Devizes. Its sales rose to £16.8m (£12.2m).

Smallbone is now preparing for the launch of a range of conservatories, using its brand name, to be introduced next spring.

A year ago the group moved into the US by opening a showroom in Manhattan. It has since opened a second New York showroom and one in Beverley Hills. US sales reached $3.6m (£2.1m) during the year.

Mr Clark said that the US business traded profitably in the second half of last year and should make its first full contribution this year. Smallbone is now considering openings in Chicago, Boston and San Francisco.

B C Sanitan, which wholesales luxury bathroom fittings, saw sales rise to £3.4m (£2.3m). Pipe Dreams, now a five-strong chain of bathroom shops, boosted sales to £1.4m (£1.2m). Smallbone is considering investment in its own bathroom fittings and sanitaryware production capacity.

The And So to Bed chain of bedroom shops expanded its network of showrooms by three to eight and increased sales to £4.6m (£3.3m). Smallbone was now finalising plans to increase manufacturing facilities.

● comment

Smallbone's success is a monument to marketing. The name – Smallbone of Devizes – conjures images of artisans poring over their handiwork and an ancient history. In reality it is as much a creature of the 1980s as a mass manufacturing counterpart, such as Spring Ram. It traces its origins only as far as the late 1970s and to two entrepreneurs, who spoted a niche for exclusive – and very expensive – furniture. The Olde England mystique has served it well in the UK so far, and should do in the US in the future. Its shares, which soared in the bull market, collapsed in the crash. But the City's concern – that its customers could have become rather more circumspect about treating themselves to bespoke bedrooms – seems to have been unfounded. The shares, at 305p yesterday, have recovered in recent weeks. And a prospective p/e of 12.5 on projected profits of £2.6m suggests that they have further to go.

Electra falls to £3.56m halfway

BY MARTIN DICKSON

Electra Investment Trust, which has a particularly high proportion of its investments in unlisted securities, yesterday reported both a drop in interim pre-tax profits from £7.12m to £3.56m and a 21.5 per cent fall in fully diluted net asset value per share. This follows last October's market crash.

However, the trust said the outlook for the second half was more encouraging.

Several of the company's unlisted investments were nearing the stage of either sale or flotation. These include Fairey Group, which was the subject of a management buy-out and is now planning a flotation.

In addition, the level of activity in new investment opportunities in the unlisted sector has recently increased substantially.

Net asset value at March 31 stood at 240.6p a share on a fully diluted basis, against 306.52p at September 30. Basic net asset value was 258.79p (332.77p). Earnings per share in the six months to March 31 totalled 1.614p (3.051p) and the interim dividend is unchanged at 2.4p.

The drop in profits was attributed to three major factors.

First, during the October crash there was a significant loss of income from the company's investments in certain New York-based financial services companies, primarily as a result of arbitrage activities.

Second, there was the cost of carrying three major underwriting positions in the UK (including the British Petroleum offer for sale), in respect of which compensating income was not received until after the end of the period.

Finally, Electra's expense base had risen, both in terms of staff and facilities, to meet "the increased competition for investment opportunity". The company said that substantial progress was being made with its two principal associated companies, Electra Property Finance and Electra Aviation. The trust's New York office was now open, was already taking an active role in helping manage the existing specialist US portfolio and was starting to generate some interesting new investment ideas.

UK COMPANY NEWS

New business helps GGT to £3.24m

BY ANDREW HILL

Gold Greenlees Trott, advertising and marketing services group, increased pre-tax profits by 35 per cent to £3.24m in the year to April 30, compared with £2.4m in 1986-87.

The agency is responsible for the Holsten Pils, Toshiba and Ariston advertising campaigns and handles corporate communications for Pearson, owner of the Financial Times.

Turnover rose 22 per cent in 1987-88 to £58.2m (£47.6m). Earnings per share increased by 32 per cent from 17.01p to 22.37p.

Mr Michael Greenlees, joint chairman, said the results were stronger than anticipated at the interim stage, reflecting additional assignments awarded to Gold Greenlees Trott Advertising in the second half, and outstanding performances from Option One.

At the moment, the advertising operation contributes about 85 per cent of profit, the balance coming from Option One and RMC.

"Inevitably, we will be placing the emphasis in future on developing the marketing services business. We anticipate growth from the pure advertising operation, but non-media related business will also increase over time," said Mr Greenlees.

Since the year-end GGT has moved into the US with last month's acquisition of Babbit & Reiman.

The group has also won the Daily Mirror advertising account and has been appointed by the Government's Central Office of Information to handle the launch of the new Employment Training programme. Mr Greenlees said the COI contract was worth about £7m for GGT's advertising arm, with more business generated for the rest of the group.

The directors have recommended a final dividend of 3.9p (2.8p) making 5.4p (4p) for the year.

● comment

GGT is one of the quieter advertising agencies, cautiously building a fine creative reputation, with the declared emphasis on quality rather than quantity of acquisitions. The move into the US was made through the purchase of a small Atlanta agency, not a high-profile (and expensive) New York group, and GGT aims to build a network of regional offices. Further geographical expansion is possible – Europe is being examined – and analysts suggest future diversification into design and public relations. Past experience suggests such moves will be carefully considered, so while other agencies race on with acquisitions, GGT's thoughtful approach should pay off in the longer term. Yesterday the shares advanced from 267p to 274p following a dull period before the results, which were slightly ahead of expectations. Forecast pre-tax profits of £4.1m in 1988-89 put the shares on a prospective p/e of about 10. This is in line with the sector, but, given that GGT is still growing, the shares look reasonably good value.

Bradstock warns of profits slowdown

Bradstock Group, insurance and reinsurance broker, lifted pre-tax profits by just 8 per cent to £3.81m in the six months to end-March 1988.

The outcome compares with a 45 per cent expansion for the comparable period last year and growth of 32 per cent over the full year.

Mr David Bradstock, chairman, said the direct insurance side had performed "very satisfactorily" while the reinsurance side had advanced despite difficult market conditions.

Progress in the current year, he added, would not be at the same rate as in recent years, but the directors were confident that the group would maintain market share despite currency problems and a generally weak market.

The outcome came on turnover of £7.72m (£6.6m). Administrative expenses increased to £4.88m against £3.88m last time, but investment and other income picked up slightly to £969,000 (£803,000).

An increased tax charge accounted for £1.4m (£1.29m) and an interim dividend of 1.5p (1.4p) is to be paid from earnings of 9.9p (9.3p) per 5p share.

Flexello drops into the red at half-time

COSTS INCURRED in the group's substantial reorganisation pushed Flexello Castors & Wheels into the red in the six months to end-March.

The provisions for employees' severance, factory reorganisation and relocation costs at the Slough and Swindon sites amounted to £440,000 and were taken above the line. This produced a pre-tax loss of £28,757 against a profit of £303,568 in the comparable half last time.

However, Mr G. Day, chairman, said the present order book was high and "given the continuance of the present level of business" he looked foward to a further improvement in results for the full year.

Turnover during the period under review expanded by 13 per cent from £6.52m to £7.37m. There was a tax credit of £11,265 (charge of £119,024), leaving losses of 0.53p (earnings of 5.58p) per share.

The interim dividend is lifted to 1.5p (1.4p).

Losses cut to $771,000 at New London Oil

New London Oil, oil and gas exploration and production group, yesterday revealed a taxable deficit of $771,000 (£430,600) for the year to end-March, reduced from $1.04m last time.

Mr Paul Kesterton, chairman, blamed the losses on "the relatively high operating costs of the waterflood projects and the continuing high depletion rate". Cash flow from operations, however, increased to $1.1m ($230,000).

Australia Investment

In the half year ended March 31 1988 Australia Investment Trust lifted earnings from 0.32p to 1.28p, and is paying an interim dividend of 0.25p on capital increased by a rights issue and is forecasting not less than 1p for the year.

The total would compare with 2.7p actual in 1986-87, or 0.79p adjusting for the new capital.

At March 31 net asset value had fallen to 111.4p (160.8p), but by the end of last month had moved to 120.6p reflecting the continued recovery in the Australian stock market.

COMPANY NEWS IN BRIEF

ACATOS & HUTCHESON has set up P&W Plastics in a 50-50 partnership with Plasticos Meglas of Bilbao. The new company will make printed plastic containers primarily for the food and industry, and hoped to be based in Birkenhead.

ELECO HOLDINGS – Strategic Investments is interested in a total of 2.99m shares, 2.7m of which are, or will be, registered in the name of Chrisilu Nominees, 40,000 will be registered in the name of the National Bank City Office Nominees and 250,000 will be registered in the name of Kayandav Nominees.

GRAHAM MOTOR – At the first closing date, acceptances to the offer from TSB had been received in respect of 9.12m shares (86.03 per cent). TSB now owns, controls or has acceptances in respect of 10.25m Graham ordinary shares (96.73 per cent). The offer is declared unconditional and will remain open.

J.JARVIS & SONS: Over 90 per cent of the shares have been committed to the offer from J.Jarvis Holdings; it has become unconditional and remains open.

JOHN WILLIAMS of Cardiff has contracted to buy seven freehold shops and two retail kiosks in Barnham, West Sussex, for £815,000 to be met by the issue of 645,161 shares and £615,000 cash. This is the first move towards diversifying from an engineering base into other more profitable areas. Vendor is Oakburn Poperties; the properties currently produce rents of £48,650 annually.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interim- Stainless Metalcraft.

Finals- Aberfoyle, Calor, Chloride, Cranswick Mill, NSM, Security Archives, WB Industries

FUTURE DATES

Interims-	
Anglia Television	June 22
Company of Designers	June 20
Economic Forestry	June 20
First Nat. Finance	June 24
Midland Bank	July 27
Finals-	
Hunting Group	June 22
Newman Tonks	July 5
Oglesby and Butler	June 30
REA Holdings	June 24
Shanks and McEwan	June 30
Southend Property	June 28
Triplex Lloyd	June 30
Vinten	July 4
Wiggins	June 30

Company Notice

Inchcape

Inchcape (Bermuda) Limited U.S. $35,000,000
6¾ per cent. Convertible Guaranteed Bonds 1992 (the "Bonds")
Convertible into Ordinary Shares of Inchcape PLC

NOTICE is hereby given in accordance with Condition 13 of the Terms and Conditions of the Bonds that following an extraordinary general meeting of Inchcape PLC held on 6th June, 1988 at which a special resolution was passed that each Ordinary Share of £1 each of Inchcape PLC be sub-divided into four Ordinary Shares of 25p each, the Conversion Price, as defined in the Terms and Conditions of the Bonds, is as from 7th June 1988, 96p.

17th June 1988

Inchcape (Bermuda) Limited U.S. $40,000,000
8 per cent. Convertible Guaranteed Bonds 1995 (the "Bonds")
Convertible into Ordinary Shares of Inchcape PLC

NOTICE is hereby given in accordance with Condition 13 of the Terms and Conditions of the Bonds that following an extraordinary general meeting of Inchcape PLC held on 6th June, 1988 at which a special resolution was passed that each Ordinary Share of £1 each of Inchcape PLC be sub-divided into four Ordinary Shares of 25p each, the Conversion Price, as defined in the Trust Deed constituting the Bonds, is as from 7th June 1988, 113p.

17th June 1988

INCHCAPE PLC

RHONE POULENC S.A.
$ U.S. 300.000.000
UNDATED FLOATING RATE CAPITAL NOTES

For the six months, June 16, 1988 to December 15, 1988, the rate of interest has been fixed at 8 1/4% P.A.

The interest due on December 16, 1988 against coupon nr 4 will be for the denomination of $ U.S. 10.000, $U.S. 419,38 and for the denomination of $U.S. 100.000, $U.S. 4.193,75 and has been computed on the actual number of days elapsed (183) divided by 360.

The Principal Paying Agent,

SOCIETE GENERALE ALSACIENNE DE BANQUE
15, avenue Emile Reuter
LUXEMBOURG

UK COMPANY NEWS

Body Shop's 46% growth below City expectations

BY VANESSA HOULDER

Body Shop International, the natural beauty products chain, yesterday announced a 46 per cent rise in pre-tax profits from £3.22m to £4.71m for the six months to March 31. Turnover increased by 56.4 per cent to £21.55m against £13.78m.

The results were slightly below City expectations and the share price dropped 30p to 610p.

Mr Gordon Roddick, chairman, said that he expected the momentum of the first six months to be maintained both in the UK and abroad throughout the year.

Although underlying margins were maintained, there was an increase in overheads, he said. This resulted from costs of about £300,000 incurred in opening up stores in the US. The first store will be opened in New York next month and will be followed by another three in the course of the year.

Nine stores were opened in the UK, bringing the UK total to 98. Overseas 34 stores were opened bringing that total to 220.

Overheads in the UK had risen in line with sales. The company invested about £200,000 in staff training and has expanded its training school from 1,200 sq ft into new premises of 10,000 square feet in central London.

The new warehouse complex that was financed by the £9.6m raised in March is ahead of schedule and should be ready for use in the summer of next year.

The board has declared an interim dividend of 0.9p, an increase of 50 per cent.

● comment

Given the astronomic rating and paper thin market of Body Shop's shares, a 5 per cent fall after results that were below expectations is not altogether surprising. It is not however particularly significant. The gap between the results and analysts' expectations is accounted for by training costs and start-up costs in the US – and these can be expected to repay in full. Although it will take at least two years for the US to break even, the scope thereafter looks enormous. Meanwhile, Europe may prove an even greater growth area with Germany, in particular, earmarked for some 300 stores within the next ten years. The reputation of the company in the City is still flawless – and on a forecast of £9m for the twelve months to September, this is reflected in a sky high rating of 45.

ISSUE NEWS

John Tams coming to USM at £17.6m

BY FIONA THOMPSON

John Tams Group, the company that produces one in every five mugs sold in the UK, is coming to the USM via a placing which values the company at £17.6m.

The Stoke-on-Trent earthenware business was founded in 1874 by John Tams, the great grandfather of the present chairman Gerald Tams. In its early days the company made jugs and bowls for washstands, willow pattern dishes and, in particular, beer mugs and jugs for public houses. Now, 80 per cent of turnover is mugs, with tableware making up the balance.

Lloyds Merchant Bank is placing 3.7m shares, representing 16.8 per cent of the enlarged equity, at 80p. Existing shareholders are selling 1.7m shares and 2m new shares placed will raise £1.4m for the company. This will be used to expand production capacity and for acquisitions. John Tams sells both decorated and plain mugs. Blank mugs make up the highest proportion of sales - 44 per cent. These are sold to decorators who apply their own patterns prior to selling them. Major retail groups - including Boots, Marks and Spencer and Sainsbury - wholesalers and distributers account for 39 per cent of sales. Promotional and incentive sales, where the company produces specially decorated items to advertise customers' products, are 11 per cent of turnover, and the final 6 per cent comes from mail order sales.

The group exports about half its turnover, mainly to North America and continental Europe.

Pre-tax profits have grown from £584,000 in 1984 to £2.14m this year, putting the shares on a historical p/e ratio of 10.8.

Cifer drops into the red

BY PHILIP COGGAN

Cifer, the USM-quoted electronics company, dropped into the red in the first half as had been predicted by Mr Oliver Newland, the chairman, at the group's Annual General Meeting.

Operating profits of £106,000 (£423,000) were wiped out by interest costs of £153,000 (£197,000) to give a pre-tax loss of £47,000 (£226,000 profit). Turnover in the six months to April 10 was down at £1.82m (£2.65m).

The company said that although the benefits of previous cost saving exercises are now beginning to be felt, it could be difficult for the group to return to profitability in the full year. The second half is traditionally the company's less active trading period.

The chairman was also unable to give any positive news about the group's efforts to arrange a financial restructuring package. After earlier losses in 1984, the company was forced to borrow substantially from Lloyds Bank and Investors in Industry (3i); those institutions reman supportive but a fibnancial resturcturng remains a "major priority".

Mr Newland said that the company had the ability to use its expertise in widening its product development programme but whilst interest charges were heavy, the development programme could only proceed slowly.

On the positive side, Mr Newland said that distributed product sales were increasing and maintenance revenues continued to grow.

Cifer's shares fell 1p to 13p.

Needler in £18m placing

BY FIONA THOMPSON

Needler Group, a Canadian aggregate, asphalt and concrete block producer, is coming to the Unlisted Securities Market in a placing organised by Capel-Cure Myers.

Some 3.9m shares, representing 21.54 per cent of the enlarged equity, are being placed at 100p each, valuing the company at £18.4m. The placing will raise £3.97m. Existing shareholders are selling 1.03m shares and the 2.94m new shares sold will raise £2.5m for the company. This will be used for acquisitions in North America and Europe.

The company operates in Brantford, Ontario, under the name TCG Materials. The TCG stands for Telephone City Gravel - *Brantford being the home of* Alexander Graham Bell, the inventor of the telephone. The late Mr Harold Needler, father of the company's current chief executive Christopher Needler, bought TCG in 1956 and it became part of his company Hoveringham Gravels.

Needler increased pre-tax profits from C$428,000 in 1983 to C$6.3m (£2.9m) in 1987, putting the shares on an historic p/e of 10.5.

Monument stake interest

THE FROZEN 29.54 per cent stake in Monument Oil & Gas, the small independent oil and gas company, appears to have attracted the attentions of Groupe Bruxelles Lambert and Nimrex Resources. An announcement yesterday said that the two organisations became interested in the holding on June 8, but ceased to be interested two days later.

The holding is registered in the name of Baring Nominees, but held by Lombard Odier et Cie, the Geneva-based private bank. Monument has served section 212 notices on Lombard Odier, attempting to discover the beneficial owners of the stake.

To date, the bank has declined to give this information, saying only that it is held on behalf of discretionary investment clients. In mid-May, Monument successfully applied for a court order disenfranchising the interest and barring any transfer of the shares.

Yesterday, Monument was unable to elaborate on the statement, beyond saying that it was required to notify any interest shown in the shares.

Splash in £4m retail acquisition

BY DAVID WALLER

Splash Products, T-shirt printer and character merchandiser, will more than double in size following the acquisition of Cerex Jewels for £4.05m. The move will take the company into retailing for the first time.

The bulk of the purchase price is to be financed by a 1 for 1 rights issue to raise £2.9m; a further £650,000 cash will be borrowed from the bank and the balance of the consideration will go to the vendor in the form of 1.16m new Splash shares.

In the rights issue, the new shares are to be offered to shareholders at 43p, against the 65p at which Splash shares were suspended yesterday morning.

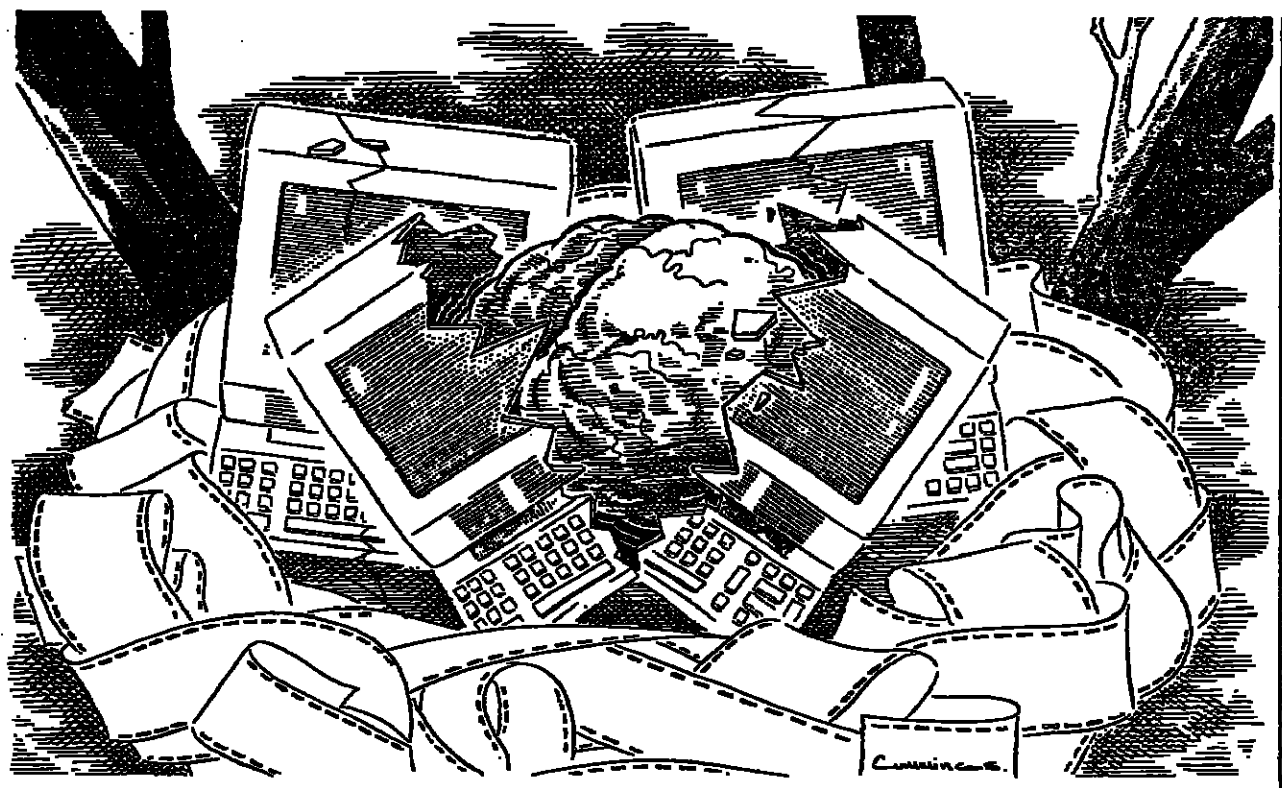
Cerex operates 16 leasehold shops in London's West End selling gifts, souvenirs and T-shirts. Splash, which joined the USM last summer, said that the acquisition seemed a natural fit.

Last year, a quarter of Splash's turnover came from the sale of T-shirts and sweatshirts, whilst the same goods represented a quarter of Cerex's turnover.

Turnover at Cerex for the year to April was £4.3m on which the company made pre-tax profits of £702,000. Net assets amounted to £723,000 at the year end.

The announcement of the acquisition came as Splash reported pre-tax profits of £259,000 (£103,000) on turnover of £1.95m in the six months to April 30. Earnings per share worked out at 2.93p (1.36p). The interim dividend is lifted to 1.5p (1.1p).

TECHNOLOGY



Cracking open the secrets of the human brain

Carla Rapoport examines progress made in Japan towards developing the neurocomputer – a machine which can think

HOLLYWOOD'S version of computers – beeping, talking androids that always outwit the bad guys – are already on the drawing boards in Japan.

They are called neurocomputers, or computers that think. Conventional computers can add up columns of numbers in a split second, but they cannot instantly recognise a face, learn from past experiences or make a judgment based on prior knowledge. Neurocomputers, like the human brain, should be able to do all these things one day.

Fujitsu, one of Japan's leading computer makers, now has a show for visitors where little neurocomputers dressed like policemen chase and capture a "bad guy" robot, using ultrasonic, infrared and tactile sensors and primitive electronic neural networks.

Steven Spielberg, however, will have to depend on the special effects people for a while yet. Fujitsu says it will be at least 10 years before it has a neurocomputer which can do much more than party tricks. Most of the work on neurocomputers is still very much at the basic research level. None the less, the Japanese approach to basic research means that the next few years will not be without high excitement in this field.

Later this year, for example, NEC plans to launch what it calls the first personal neurocomputer. Essentially a Y880,000 (£3,000) peripheral for its NEC personal computer, the neurocomputer package will have a small range of impressive applications, primarily its ability to "read" documents more swiftly and accurately than current optical scanning systems and at a much lower cost.

The Japanese have come to the business of neurocomputers rather late. Most of the pioneering work has been done by US academics, since the 1940s. In the last few years, when some basic experiments with neurocomputers began to look more promising, a handful of Japanese companies ploughed in, including Fujitsu, NEC and Hitachi. Unlike the largely theoretical approach of the US academics and IBM, however, the Japanese are eagerly looking for concrete uses.

But does the world need a neurocomputer? The Star Wars versions were all cuddly creatures with old-fashioned values. But it does not take much imagination to conjure up a more frightening vision of an electronic devil. After all, if these new machines will be able to learn and think, how will we know whether what they decide is right or wrong?

According to the scientists working in this field, these questions will not be raised for decades yet. Shorter-term, neurocomputers are seen as much less prosaic items of hardware and software than the conventional varieties, offering greater computer power more cheaply and more swiftly.

For example, even though semiconductors can process information a million times faster than a human neuron, only the brain can instantly recognise a Van Gogh masterpiece. This is because of the brain's ability to process information rapidly and send it simultaneously through thousands of different neural "pipelines". Although the neurocomputer cannot exactly emulate the brain, it does have electronic neural networks which can achieve results through learning and correction, rather than number crunching.

"The uses of the computer are expanding from the traditional high-speed processing of information to functions that more closely resemble the functioning of the human brain: control, pattern recognition and knowledge-based information processing," states a recent Fujitsu paper on the subject.

"In these areas, however, conventional computers are being stretched beyond their limits because they can neither handle the enormous amount of information that must be processed within a specified time nor adapt to changes," Fujitsu says.

Mr Masahiro Yamamoto, assistant general manager of NEC Research Laboratories, says he looks forward to using the neurocomputer to save time. "Say I want to know something ambiguous. In the conventional system, we have to put in all the information, but with a learning computer, the system can extend its knowledge in other fields. But this will be hard to achieve," he admits.

The brain has more than 10bn neurons. Fujitsu's cops-and-robbers neurocomputer, by comparison, has between 50 and 60, while the NEC personal neurocomputer has 99.

According to Mr Shigero Sato, a board member of Fujitsu Laboratories, the key to the development of the neurocomputer will be to find the best methodology or mathematical scheme for the computer's neural networks. The current system is too slow. For voice recognition, for example, an essential quality for the average Hollywood android, the neurocomputer would need 10,000 neurons.

Voice synthesis, along with character recognition, may be less demanding, but speech recognition is the ultimate goal for any researcher who wants to put the computer into everyday life. A pocket translator, for instance, would be of world-wide significance if you could just speak into it and hear your words coming out in another language. Mr Sato, however, thinks that such a breakthrough will take another 10 years of research.

In the meantime, NEC remains optimistic about its personal neurocomputer with its ability to read documents. Traditional optical scanners have a higher error ratio than its neurocomputer, NEC says, and cost about five times as much. However, the NEC product is limited to reading from a computer printer or a specific multi-font typewriter.

"We get good results on printed character only. We've experimented with handwritten characters, but it has not yielded good results. This is just the first step. We think that even if the field of application is restricted, we will still find there is a need for the product," says Mr Masanori Mizoguchi, supervisor of NEC's Pattern Recognition Research Laboratory.

Applications will stretch into personal accounting, inventory and document reading for storage, he says. "It will enable a personal computer to "read." Uses should widen as more PC users buy the machine. The initial sales target in the first year is set at a modest 1,000 or so units.

The NEC machine will consist of a software package and a neurocomputer engine board, which will plug into the NEC personal computer. It is priced below traditional optical scanning systems because it uses just four specialised semiconductor chips, called image pipeline processors, designed to ease data flow.

The cost advantages and speed afforded by the neurocomputer are tantalising Japanese engineers. "A conventional computer must be programmed based on logic, but a future computer will not be logic based. It could act on inspiration," says Mr Mizoguchi with a faraway look in his eye.

Powerful harvest of heat

Steven Butler on the advance of combined heat and power units

THIS WEEK technicians from Mitsui Engineering and Shipbuilding, part of the Japanese trading and industrial group, have been in Falmouth, in south-west England, collecting a first consignment of combined heat and power generators from Applied Energy Systems, a private British company.

After a world-wide search for suppliers of these machines, which achieve a high fuel efficiency by generating electricity and recapturing heat that is normally lost, Mitsui signed an exclusive distributorship agreement with AES covering the Far East.

It is an interesting reversal of a too familiar pattern of purchasers going to the Far East for supplies. Mitsui chose AES both because of its experience with CHP technology – AES dominates the small but rapidly growing UK market for the equipment – but also because British labour is cheaper than Japanese.

AES, which had been struggling to increase modest sales at home, has now suddenly had the door opened to an international market.

Mr Clive Linnel, sales manager at AES, sees a day when a tiny three kilowatt CHP unit will sit next to the washing machine and fridge in place of the common household boiler. But he admits that even some of his colleagues regard this vision as impractical.

To date, the customer base has been mainly confined to leisure centres or hotels, where demand for heat and electricity is steady and strong. The most popular unit has been a 40 kilowatt one costing about £22,000 installed. About half of AES's business is in bigger units for offshore oil platforms.

Last year AES finished with its best sales total of 63 machines, and orders are now at record levels, including an initial one from Mitsui for 12. AES pre-tax profits jumped from £17,407 to £90,219 last year.

The technology is designed to take advantage of simple laws of physics. Combustion of fuels releases energy in two forms – heat and mechanical energy that is caused by the sudden expansion of gases, yet most combustion machines waste one of these forces of energy while aiming to capture the other efficiently.

CHP captures both types, after a higher initial capital cost. Its principles are simple. An internal combustion engine, running on anything from gas to diesel, drives a generator shaft to produce electricity. Heat is gathered from engine cooling fluids and the exhaust and then transferred through a heat exchanger and put to use – heating water or buildings, or it can be harnessed to cooling equipment.

The ability to link the machines to air conditioning systems makes them potentially attractive in tropical developing countries, such as Indonesia, because a small, stand-alone system can be started up without having to install expensive transmission cables.

In a CHP unit more than 90 per cent of the fuel burnt is converted to electricity, compared with about 35 per cent in the average UK electric power generation plant. The appeal of these sorts of numbers has spawned a breed of CHP enthusiasts who argue that big power stations are becoming obsolete.

The technical breakthrough in recent years has not been in the basic processes of generating electricity and capturing heat – although these have been gradually refined – but rather in automatic control systems that make it possible to link stand-alone generators to the power mains and operate in parallel with them. If this were not possible, most users would be unable to take full advantage of the machines since electricity consumption varies and storage of unused electricity is inefficient and expensive.

This linkage equipment has gradually become smaller, cheaper and more reliable. AES now installs a compact box of its own design that costs about £500.

After the Energy Act of 1983, which forced the CEGB to publish tariffs for the purchase and transmission of electricity to third parties, it became possible for AES to calculate the cost savings and pay-back periods for potential customers. Mr Linnel says Britain has now become the easiest place in the world for a generator of private electricity to hook into the main system by selling surplus electricity to the CEGB.

Indeed, proponents of the basic technology now argue that further plans to build large power stations should be scrapped, not only because CHP units could efficiently accomplish the same task, but also because of a potentially vast source of power that now sits idle in the form of standby generators that could be converted to CHP units.

A 1984 report commissioned by the Department of Energy from FEC Consultants, but never released, concluded that a potential of five gigawatts of electricity was available from standby generators. By comparison Sizewell B, the planned nuclear power station, will deliver 1.2 gigawatts.

More recently FEC has completed a two-year monitoring programme after converting a standby generator to a CHP unit. The results show that electricity was produced at 1p/kwh (compared with more than 4p charged by the CEGB), with a payback time of about 2½ years. It concluded that the experience could easily be replicated.

Japanese company plans US trial for AIDS drug

AJINOMOTO, the Japanese food and health products company, is to file an application with the US Food and Drug Administration (FDA) for approval of clinical trials of the drug lentinan as a treatment for AIDS, Reuter writes from Tokyo.

Ajinomoto has set up Lenti-Chemico Pharmaceutical Laboratory, as a US subsidiary, to conduct the trials and San Francisco General Hospital and New York AIDS Coalition Hospitals have agreed to take part, says a company spokesman. The subsidiary, located in New Jersey, is capitalised at $100,000 (£56,000).

The company also plans a clinical test on a combination of lentinan and azidothymidine (AZT), the chemical name for Retrovir, the anti-AIDS drugs sold by Wellcome of the UK. Retrovir is the only medication so far approved for treating the disease.

Clinical trials of lentinan have been conducted by Japan's Ministry of Health and Welfare since January 1987, through an AIDS study group set up to test five medicines.

Lentinan, which is extracted from a mushroom, stimulates the body's immune response. Ajinomoto and the Yamanouchi pharmaceuticals company have been selling it as an anti-cancer agent since November 1985.

COMMODITIES AND AGRICULTURE

Green currency concession may break EC deadlock

A FURTHER attempt to break the deadlock over European Community farm prices was made in Luxembourg yesterday when the European Commission and the West German presidency of the Farm Council jointly agreed to offer concessions on green currencies.

However, member-states' initial reactions to the first full compromise proposal in current talks was largely negative. Diplomats were predicting the talks would probably drag, with increasingly tough bargaining, into the early hours of this morning. A further compromise was expected to be tabled later last night.

A key development yesterday was the more generous proposal for cutting the current level of so-called monetary compensatory amounts (MCAs).

These are border taxes and subsidies designed to even out short-term currency fluctuations, which can only be dismantled by devaluing green currencies, which in turn are used to translate common Ecu-denominated farm prices into local money.

Yesterday's compromise spelt out a 1 per centage point dismantlement for Denmark (none had been offered previously), 1.5 points for France and Ireland (against 1 point earlier in the week), 2 points for Italy (2) and the same 3 points for the UK which were put on the table by the commission in its paper on Tuesday.

A most contentious proposal was that these changes should not be introduced until next January 2, rather than immediately as most member-states involved were demanding.

Meanwhile Mr John MacGregor, UK farm minister, said yesterday morning he was furious about the decision to increase the size of the MCA dismantlement for other member-states. He said the gap between MCAs in different countries was what was crucial to UK farmers' competitiveness.

Strongest opposition to the latest package last night came from the Mediterranean countries, notably Italy and Spain. Italy wanted a 4 per cent green-currency devaluation but would settle for 3 per cent. It expressed concern at the regime for tomatoes and the compensation payments for distilled wine.

France indicated it might be prepared to accept the proposals if the MCA dismantlement were advanced.

Other changes in yesterday's compromise included:

● A proposal to cut the so-called monthly increments paid to cereal-producers by 25 per cent, a concession by the commission, which initially proposed 50 per cent.

● Tougher action to try to make the beef-intervention price more closely related to the market-place.

Detailed costings of the latest changes were not revealed yesterday but it is thought the commission is happy the budgetary effect would be about neutral.

US cool on EC idea to freeze farm subsidies

By Our Agriculture Correspondent

The European Community's latest proposal that all governments should freeze farm subsidies at their 1984 levels is unlikely to prove acceptable to the US.

Mr Richard Lyng, US Agriculture Secretary, said yesterday a freeze could at best be only a short-term way to cope with the world's farming problems while it might, if endorsed, end up the only result of international farming talks.

The US also had difficulties with the concept of freezing the levels of farm support because a freeze would not allow account to be taken of fast-changing economic and technological developments within agriculture, he said.

Mr Lyng was speaking from Washington in a Worldnet satellite press conference. He was still concerned the EC was seeking only short-term solutions to the world farming crisis. The EC continually failed to say what its long-term goals were, he said.

The EC proposals were submitted in the context of the Uruguay round of Gatt talks, and enlarged on some short-term measures in the EC general paper on farm reform of last October.

The Gatt talks are stymied by the gulf between EC-US negotiating positions.

The US has called for abolition of all trade-distorting farm support within a decade. The EC is more cautious: it accepts the need for cuts in support but has not said by how much or over what timescale.

Mr Lyng yesterday acknowledged US actions did not square with its free-trade position within Gatt. "As long as other countries in the world, and especially the EC, continue subsidies, and especially export subsidies which distort trade, we're going to do the same, and with great vigour," he said.

On the drought in much of the US he said the situation was unprecedented but it was too early to predict precise consequences.

In Montana and Minnesota there were big areas where crops were lost but in most other areas, including the corn belt, recovery was still possible provided there were rain in the next two weeks. If there were not "we may be facing a catastrophe."

On Tuesday he told Congress big areas were suffering a near crop disaster. The US Department of Agriculture has declared a drought emergency in 18 states.

UK farmers not keen on set-aside scheme

BY BRIDGET BLOOM, AGRICULTURE CORRESPONDENT

UK PLANS to compensate farmers for taking arable land out of production were greeted unenthusiastically by farming and other interested bodies.

The plans were announced on Tuesday by Mr John MacGregor, UK farm minister. Under them farmers will be paid up to £200 a hectare a year provided they remove at least 20 per cent of land from arable production.

Mr Simon Gourlay, National Farmers Union president, said the scheme would prove "inadequate for the job we think needs to be done."

The so called set-aside scheme is part of a European Community-wide move to cut cereal surpluses and thus farm spending.

Mr Gourlay said: "It should be used to ensure that EC budgetary expenditure is curbed without price pressure severely damaging farm businesses and the countryside." This would not happen, because compensation levels were too low to attract enough land, he said.

Lord Vinson, chairman, Rural Development Commission, yesterday criticised the scheme as a "lost opportunity."

He said that if Mr MacGregor had allowed fallowed land to be grazed, much farming land could have been returned to traditional pasture with environmentally-friendly low stocking and fertiliser rates.

The Council for the Protection of Rural England criticised the scheme on environmental grounds. It said planned compensation was too low "to guarantee good management of set-aside land." However, the Government's promise to carefully study proposals for higher payments for positive environmental set-aside was a "ray of hope."

Britain chose to offer compensation in the middle of the range of Ecu100 to Ecu700 (£66 to £464) a hectare laid down by the EC. The Agriculture Ministry has avoided publishing estimates of numbers of farmers who might participate, or of the acreage which might be removed.

However, it appears to have had in mind two types of farmer who may be attracted:

● Marginal, probably over-borrowed, possibly near-retirement farmers worried at the probable downturn in cereal prices over the next five years and who would hope to obtain price stability from the scheme.

● Those deciding to set aside much of their farms, intending radically to cut fixed costs.

It appears the set-aside scheme in Britain and the rest of the EC is intended to last for five years but that farmers can join in it at any point, provided they have registered their crop production for 1987-8, the base year.

Alternatives to leaving land fallow are to plant woodland, or conversion to non-agricultural use such as camping-sites.

W German interests agree plan details

BY DAVID GOODHART IN BONN

WEST GERMANY's Government, state governments and farming lobby appear to have agreed details of the country's set-aside scheme, likely to take 300,000 hectares to 400,000 ha of arable land from agricultural production over the next five years. Formal ratification of the scheme is expected on June 23.

The Bonn Government has been a leading advocate of set-aside, in preference to price cuts, to deal with surpluses.

Further, with a compensatory range of DM800 (£258) to DM1,440 (£464) a hectare, it appears, unsurprisingly, to be close to the upper limits of what the EC is allowing.

That is certain to be one of the most generous compensation schemes and aims to attract a fair proportion of set-aside from areas of good farming land.

A Farming Ministry official, Mr Peter Neuling, says the DM1,440 ceiling, for the best land, is the maximum payable while also qualifying for EC relief.

He said it would have been possible to pay up to DM1,680 a hectare but then the last DM240 would have attracted no EC money.

The total cost of the scheme to West Germany will be DM357m. Of this 70 per cent will be paid by the Bonn Government and 30 per cent by state governments.

There is little doubt the plan will be accepted on June 23 although it is rejected by the Social Democrats, the main opposition party, and even more vociferously by the Green Party.

Mr Neuling said it was not a perfect scheme but "it is better than price cuts."

Nymex board paves way for closer links between five New York exchanges

THE New York Mercantile Exchange (Nymex) paved the way for a closer relationship between all five New York futures exchanges when its board voted on Wednesday to complete merger talks with New York's Commodity Exchange (Comex).

Nymex officials said they would meet Comex board-members next week to discuss specific details of a merger.

The talks are expected to focus on a back-office merger and the combination of the two exchanges' administration systems in an effort to save about $5m to $12m in operating costs.

A consolidation of the exchanges' back-office operations could mark the first step towards a full merger between the two.

However, a tie-up that would provide access for all traders to all futures contracts is a much more controversial issue and would be likely to face opposition from exchange floor-traders.

"Starting out with the some operating functions is a safe way to get people used to the idea of a merger," said Ms Mary Begonia, president of E.D. & F. Mann, an oil trading firm.

Merger talks between the two New York commodity giants have dragged on for years.

However, faced with a severe lack of trading-space and rising operating costs, both exchanges are now more willing to pursue a link than they have been in the past.

Mr John Hanemann, Comex's new chairman, set the Nymex merger as one of his top priorities after being voted to the post in March.

He has been advocating a consolidation between all five New York futures exchanges, which would be expected to follow any tie-up between Comex and Nymex.

The five exchanges are facing a pressing need to agree on an expansion to their crowded floor in the World Trade Center or a move to a new location.

Exchange officials say it would make sense for any consolidation between the exchanges' computer systems to precede such a move.

Australia hits US sugar regime in Gatt

BY WILLIAM DULLFORCE IN GENEVA

AUSTRALIA YESTERDAY attacked the highly-restrictive US sugar import regime and said it was considering whether to ask for a Gatt enquiry. The US was operating a more trade-distorting policy even than that of the European Community, Mr Alan Oxley, Australian ambassador to Gatt, said.

US sugar import quotas for this year had been set at the lowest level since formation of Gatt 40 years ago, Mr Oxley told the Gatt council.

Imports that were as high as 6m (short) tons just more than 10 years ago had totalled only 1.3m tons last year. Australia's quota had fallen from 232,000 tons in 1982-83 to 58,000 tons this year.

The overall quota for this year is about 750,000 tons and the domestic US price of sugar is more than triple the world price. The Reagan Administration has proposed changing the US price-support law but has run into fierce resistance from domestic growers.

Mr Oxley said Australia's sugar industry was one of the largest and most efficient in the world but highly-dependent on the prevailing world market price.

US policy had adversely affected the price, on average lowering it by 2 cents a pound. In recent years of oversupply it had lowered the world price by as much as 10 cents a pound.

Ironically, high domestic prices had discouraged sugar consumption in the US in the face of competition from alternative sweeteners, while domestic output had expanded to the point where the US was almost self-sufficient in sugar, Mr Oxley said.

In the near future the US could become a leading exporter of sugar but only through payment of substantial subsidies to growers.

Australia and the US held bilateral consultations, the first step towards tabling a complaint with Gatt, on the sugar issue on June 7. Canberra was considering its position in the light of these consultations, Mr Oxley said.

US smelters and power supplier fuse

David Owen in Toronto on Bonneville Power's two-year-old variable rates experiment success

A PERENNIAL problem facing commodity producers from farmers to mining companies is how to reconcile their relatively constant costs with often wild gyrations of the market-place.

This problem confronted primary aluminium producers in the US Pacific north-west at the end of 1984 after a year of steeply tumbling metal prices.

These smelters and Bonneville Power Administration (BPA), the federal power marketing agency serving the area, sought to come to terms with the situation. The imaginative way in which they did provides a case-study of how such difficulties can be addressed.

BPA supplies power to 10 smelters accounting for about 38 per cent of US primary-aluminium smelting capacity.

In fact, the position in which the region's smelters found themselves 3½ years ago was particularly disheartening. Not only was the aluminium market weak but the US dollar was strong and BPA had raised average rates charged to the aluminium industry by no less than 800 per cent in five years.

The cumulative effect transformed the region's smelters from among the western world's most competitive to among the highest-cost facilities. Not surprisingly, potlines were being set aside.

These temporary shutdowns in turn hit BPA itself by causing fluctuations in levels of power used by the industry. The aluminium sector typically generates 25 per cent or more of BPA's total sales and revenue.

Because 90 per cent of BPA's costs comprise capital recovery and other fixed obligations which do not decline when sales fall, BPA had as much interest as the aluminium-producers themselves to find a way to enable smelters to operate at optimum levels. The problem was finding a mutually-acceptable way this could be achieved.

There were various abortive initiatives, including:

● Offers of power discounts in return for smelter commitments to operate above certain levels.

● An attempt to impose a hefty customer charge which would have been paid irrespective of the level of power use.

Then BPA hit on the notion of variable rates. The idea was to tie power prices, to a degree, to the price of aluminium ingot, effectively transferring some market risk away from the smelters to BPA.

While metal prices were in the doldrums smelters would pay less for power; if the market staged its hoped-for recovery, power prices would rise correspondingly, to a maximum ceiling.

In mid-1986, after an extensive public awareness campaign, a fully-fledged variable rate programme came into effect.

Initially, smelters would pay a rate of 15 mills per kWh, that was about three-fifths of the average 1984 level, while aluminium prices were below 53 cents a pound, rising to a maximum 28.6 mills at 79.7 cents. A constant rate of 22.8 mills would apply at aluminium prices of 61 cents to 72 cents.

In addition, all 10 regional smelters signed up for a conservation-modernisation programme whereby they would receive incentives for making efficiency improvements. Most plants in the region were built between 1940-70. BPA hoped that by improving efficiency it could forestall for as long as possible the need to add expensive new generating capacity in the region.

Two years on, how has the experiment turned out? The aluminium market has, after all, changed out of all recognition in the period. Prices surpassed BPA's 79.7 cents a pound upper perameter several months ago.

The precipitous fall in the dollar's value has also helped the region's international competitiveness. Pacific north-west smelters, in short, would now be making money with or without the variable rate programme in its current form.

In fact, according to the calculations of Mr Paul Spies, economic and financial analyst for BPA, smelters have on average paid exactly the same amount for electricity while variable rates have been in effect as they would have done had the old fixed rate regime remained.

None the less, he believes the programme has been a success because the cheap rates available while metal prices were low enabled three previously shuttered plants to restart as fully viable operations.

Mr Spies says: "We believe that without the variable power rate these three smelters would not have restarted." One of the smelters adds: "The variable rate programme has resulted in a structure which everyone is happy with."

Some plants are stoical about having to pay nearly 29 mills per kWh for power when they might still be paying 23 under the old, fixed rate system, but most concede they are satisfied with the way things have worked out.

Said one: "Some people might say that they would be happier with a fixed rate at the moment but I think that's a bit short-sighted." Another said: "You can't have it your way at both ends."

Mr John Carr, executive director of Direct Services Industries, an organisation representing companies served directly by BPA, describes the programme's effect as excellent. He says capacity utilisation is now more than 90 per cent and BPA stands to earn C$150m to 200m more than it had expected from direct service customers in its year ended October 1.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM touched a record of $2,945 a tonne in pre-market trading on the LME yesterday as buyers returned after this week's shake-out. By the afternoon prices were down after profit-taking, although three-month metal remained ahead of Wednesday's close, with high grade aluminium adding $70 to $2,930 a tonne. Freer offering of cash metal took the premium for high grade aluminium down to $815 from Wednesday's $1,130 a tonne. On the bullion market, silver again outperformed gold, adding 7 cents to Wednesday's 20 cent rise to close at 720 cents an ounce. Platinum was also well ahead, boosted by news from South Africa of unrest on the twelfth anniversary of the Soweto uprising. The Baltic Freight Index fell 14 points to 1,262 – the lowest level this year. However, Biffex dry freight futures bounced back from session lows on nearby contracts on hedge buying centred on October through to April 1989 delivery, dealers said.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$13.60-3.72z	-0.44
Brent Blend	$15.30-5.37z	-0.33
W.T.I (1 pm est)	$16.39-6.42z	-0.24
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$180-182	
Gas Oil (Soviet)	$133-135	-1
Heavy Fuel Oil	$70-72	-1
Naphtha	$150-153	-2.5
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$453.50	+0.75
Silver (per troy oz)♣	720c	+7
Platinum (per troy oz)	$598.60	+16.9
Palladium (per troy oz)	$130.50	+2.0
Aluminium (free market)	$3940	+85
Copper (US Producer)	116½-118c	+4.5
Lead (US Producer)	35.5c	+0.5
Nickel (free market)	670c	
Tin (European free market)	£3942.5	+12.5
Tin (Kuala Lumpur market)	18.10r	+0.01
Tin (New York)	328.5c	+1.0
Zinc (Euro. Prod. Price)	$1170	
Zinc (US Prime Western)	63.5c	
Cattle (live weight)†	114.19p	-3.94*
Sheep (dead weight)†	183.63p	-48.0*
Pigs (live weight)†	75.57p	+2.84*
London daily sugar (raw)	$260.0y	
London daily sugar (white)	$265.0y	-1.0
Tate and Lyle export price	£253.5	-0.5
Barley (English feed)	£103.5z	+1.0
Maize (US No 3 yellow)	£137.0	+1.0
Wheat (US Dark Northern)	£124.75x	
Rubber (spot)♥	82.0p	+2.0
Rubber (July)♥	87.5p	+2.0
Rubber (Aug)♥	88.0p	+2.0
Rubber (KL RSS No 1 July)	374.5m	+7.0
Coconut oil (Philippines)§	$585v	
Palm Oil (Malaysian)§	$480v	
Copra (Philippines)§	$395	+10
Soyabeans (US)	£219	+15
Cotton "A" index	73.0c	+1.4
Woolsops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. u-July. x-Jul/Aug. z-Jul/Sep. z-Aug. y-Jun/Jul. q-Sep. †Meat Commission average latstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jly	935	919	916	894
Sep	914	942	935	911
Dec	942	970	966	941
Mar	965	995	990	963
May	984	1014	1011	993
Jly	1003	1034	1024	1010
Sep	1022	1054	1044	1025

Turnover: 3379 (1813) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 16: 1197.93 (1237.29) .10 day average for Jun 17: 1207.57 (1209.75)

COFFEE £/tonne

	Close	Previous	High/Low	
Jly	1130	1129	1142	1123
Sep	1140	1135	1152	1133
Nov	1157	1145	1165	1147
Jan	1170	1159	1171	1159
Mar	1185	1171	1181	1167
May	1190	1186	1191	1180

Turnover: 1733 (1805) lots of 5 tonnes
ICO indicator prices (US cents per pound) for June 16: Comp. daily 1979 118.67 (118.02): 15 day average 119.22 (118.09).

SUGAR $ per tonne

	Close	Previous	High/Low	
Raw				
Aug	224.20	227.60	230.00	223.60
Oct	219.60	222.60	225.40	218.80
Dec	222.00	223.00	224.00	224.00
Mar	217.60	221.40	224.20	217.40
May	217.20	221.20	223.00	216.60
Aug	217.20	221.40		
Oct	218.00	221.00		
White				
Aug	262.00	260.60	263.50	259.00
Oct	250.70	253.00	254.50	250.00
Dec	250.70	253.00		
Mar	251.50	255.50	254.40	242.00
May	252.00	256.00	254.00	253.00
Aug	253.00	258.00	256.00	
Oct	255.00	258.00	256.00	

Turnover: Raw 1744 (3357) lots of 50 tonnes; White 266 (1248).
paris- White (FFr per tonne): Aug 1537, Oct 1493, Dec 1493, Mar 1500, May 1505, Aug 1520

GAS OIL $/tonne

	Close	Previous	High/Low	
Jul	133.75	135.50	134.75	132.50
Aug	133.50	135.75	134.80	132.50
Sep	135.00	137.25	136.00	133.75
Oct	136.00	138.50	137.25	135.00
Nov	137.75	139.75	138.00	137.50
Dec	138.50		138.50	
Jan	139.25			

Turnover: 5582 (3414) lots of 100 tonnes

GRAINS £/tonne

	Close	Previous	High/Low	
Wheat				
Jly	108.00	105.80	108.00	105.80
Sep	105.45	105.65	105.60	105.50
Nov	108.10	107.90	109.25	108.60
Jan	111.40	110.15	111.60	110.50
Mar	113.40	112.10	113.50	112.60
May	115.75	114.45	115.75	115.15
Barley				
Sep	103.25	101.60	103.50	102.25
Nov	105.95	104.15	106.00	105.15
Jan	108.65	106.65	108.75	107.65
Mar	110.85	109.00	110.85	110.00
May	112.90	110.80	112.95	112.90

Turnover: Wheat 363 (154), Barley 322 (164) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	3720-60	3065-95		3635-45		
3 months	2925-35	2855-65		2940-60	2910-30	5,435 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 29,075 tonne
Cash	2060-100	2220-5	2220/2180	2175-85		
3 months	1619-20	1586-90	1623/1585	1623-5		51,456 lots
Copper, Grade A (£ per tonne)						Ring turnover 32,575 tonne
Cash	1423-5	1400-3	1447/1400	1446-7		
3 months	1302-3	1286-8	1317/1284	1316-7	1288-9	68,537 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1300-10	1275-85		1300-25		
3 months	1250-60	1235-45		1265-75		47 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	715-8	708-12	718	715-7		
3 months	727-30	721-4		728-30	730-5	695 lots
Lead (£ per tonne)						Ring turnover 15,550 tonne
Cash	364-6	355-7	380	380-2		
3 months	368-9	369-9	375/354	366-8.5	368-7	12,078 lots
Nickel ($ per tonne)						Ring turnover 978 tonne
Cash	15600-700	15400-650	15950/15600	15600-50		
3 months	14400-650	14350-450	14600/14300	14600-50	14400-600	5,793 lots
Zinc (£ per tonne)						Ring turnover 11,225 tonne
Cash	777-9	760-70	790	785-90		
3 months	725.5-6	711-2	732/717	728-5.5	717-8	21,490 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	95.5	95.0	98.0	
Feb	105.0	104.0	102.0	
Apr	147.2	148.3	148.0	146.0
May	157.0	158.2	158.0	

Turnover: 408 (501) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Aug	185.00	177.50	183.00	177.00
Oct	184.00	177.00	185.00	177.00
Dec	187.00	178.50	186.00	
Feb	189.00		188.00	187.50

Turnover: 363 (174) lots of 100 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jly	1230.0	1240.5	1240.0	1220.0
Aug	1370.0	1363.0	1370.0	1355.0
Oct	1400.0	1404.0	1415.0	1390.0
Jan	1450.0	1425.0	1450.0	1425.0
Apr	1342.5		1350.0	1330.0
BFI	1262.0	1276.0		

Turnover: 880 (405)

FRUIT AND VEGETABLES

THE FIRST Red Emperor grapes have arrived from Cyprus at 60-60p, while supplies of Spanish and Italian peaches are extremely good at 10-35p (12-32p), reports FFVIB. Spanish melons are more widely available with yellow honeydew now 75p-£1.20 (75p-£1.40). Increased demand, together with the end of the Spanish season, means that imported strawberries are now 60-70p a half pound (40-70p). Homegrown new potatoes are the week's best buy at 10-15p (15-20p). Courgettes are 40-60p (45-75p), with the first Spanish supplies in the shops this week, while other new arrivals include marrows 50-70p, calabrese 70p-£1.10 and peas 50-65p. Top quality lettuces are now in excellent supply following recent improved weather, with round 17-25p (20-25p), Iceberg's 50-60p (55-65p) and red lettuces 40-75p according to variety.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	453½-454	253½-254
Opening	453¾-453¾	253-253½
Morning fix	452.85	252.595
Afternoon fix	453.30	253.505
Day's high	454¼-455	
Day's low	451¼-452¼	
Coins	**$ price**	**£ equivalent**
US Eagle	467-472	261-264
Maple leaf	467-472	261-264
Britannia	467-472	261-264
Krugerrand	452-455	253-255
1/2 Krug	236-243	132¼-137¼
1/4 Krug	117-125	65¼-70
Angel	465-470	260¼-263¼
1/10 Angel	47-52	26¼-29¼
New Sov.	107-109	60-60½
Old Sov.	107-109	60-61
Noble Plat	599.45-07.35	334.4-338.9

Silver fix	p/fine oz	US cts equiv
Spot	398.75	716.10
3 months	406.30	729.80
6 months	417.65	743.95
12 months	437.25	774.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sept	July	Sept
2750	381	318	36	165
2900	253	243	80	238
3050	143	165	169	356
Aluminium (99.5%)	**Calls**		**Puts**	
2100	335	291	46	178
2200	232	220	62	254
2300	129	148	188	378
Copper (Grade A)	**Calls**		**Puts**	
2300	184	173	20	166
2450	93	118	69	278
2600	33	77	160	384

US MARKETS

EARLY SPECULATIVE and local buying saw precious metal prices firm, but trade and fund selling touched off stops and prompted long-liquidation as the markets fell, reports *Drexel Burnham Lambert*. Platinum held short-term support, but gold and silver, after finding temporary support, extended losses late in the session. Copper opened firm, but profittaking eased prices back and the decline accelerated as support areas were penetrated. Energy futures were weak with refiner, local and speculative selling, but recovered on short-covering. Petrol, however, remained firm reflecting good demand and low stocks. Cocoa fell sharply as speculative selling and long-liquidation, especially in the July contract (in advance of first notice day) overcame cautious industry buying. Sugar again failed to hold above the 10 cent level and eased on speculative selling in the face of trade scale-down buying. Coffee firmed intially on trade buying and gains were extended by speculative buying. The grains were once again sharply higher on concerns over the lack of sufficient rain. The soyabeans came off limit-up on profittaking, but still, the main feature was large-scale bull-spreading.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	450.0	451.9	455.0	449.5
Jul	450.9	452.8	0	0
Aug	453.9	455.8	459.0	463.1
Oct	458.2	460.9	464.0	458.2
Dec	464.5	466.1	469.4	463.2
Feb	469.9	471.3	474.5	469.5
Apr	475.4	476.8	476.3	473.5
Jun	480.9	481.9	0	0
Aug	486.7	487.5	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jun	578.3	575.5	0	0
Jul	579.8	577.0	594.8	576.0
Oct	586.2	583.6	601.0	583.0
Jan	593.2	590.5	605.0	590.0
Apr	600.7	598.0	612.5	609.0
Jul	608.2	605.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	711.5	712.9	0	0
Jul	714.0	715.5	730.0	709.5
Aug	718.9	720.3	0	0
Sep	723.9	725.1	740.0	719.0
Dec	738.6	739.6	735.0	735.0
Jan	743.3	744.3	0	0
Mar	753.9	754.8	768.0	754.5
May	764.6	765.4	0	0
Jul	775.7	776.4	780.0	780.0
Sep	786.9	787.5	800.0	800.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	108.95	110.20	108.80	108.80
Jul	103.80	104.90	108.00	103.10
Aug	100.40	100.80	0	0
Sep	97.10	98.30	99.50	96.30
Dec	89.60	188.90	91.15	88.70
Jan	87.90	187.40	0	0
Mar	84.60	184.40	85.50	84.00
May	82.30	81.90	82.00	81.25
Jul	81.70	81.30	81.70	81.70
Sep	81.10	80.70	81.00	81.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	16.45	16.53	16.47	16.30
Aug	16.54	16.62	16.58	16.42
Sep	16.58	16.65	16.62	16.44
Oct	16.63	16.68	16.65	16.48
Dec	16.66	16.70	16.70	16.52
Feb	16.64	16.67	16.64	16.51
Mar	16.63	16.66	16.63	16.54
Apr	16.56	16.63	16.56	16.50

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Jul	4335	4342	4350	4280
Aug	4375	4378	4380	4335
Sep	4460	4473	4465	4425
Oct	4530	4545	4545	4515
Nov	4620	4627	4625	4595
Dec	4700	4710	4715	4675
Feb	4740	4735	4740	4705
Mar	4570	4585	4580	4565

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1491	1556	1580	1480
Sep	1521	1586	1588	1510
Dec	1543	1618	1610	1541
Mar	1577	1650	1645	1577
May	1602	1673	1663	1618
Jul	1627	1700	1688	1640
Sep	1662	1725	1710	1710

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	137.67	138.01	137.90	136.86
Sep	139.67	138.05	139.78	138.70
Dec	141.36	140.00	141.80	140.50
Mar	141.50	140.70	141.90	140.55
May	141.65	140.88	141.90	141.05
Jul	141.27	140.50	145.00	141.90
Sep	143.25	141.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	9.69	9.77	9.93	9.65
Oct	9.66	9.84	10.02	9.65
Jan	9.54	9.78	10.00	9.87
Mar	9.61	9.80	9.97	9.61
May	9.61	9.77	9.92	9.60
Jul	9.60	9.80	9.93	9.60
Oct	9.60	9.79	9.90	9.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.92	68.91	69.28	67.40
Oct	65.95	67.55	67.95	65.56
Dec	64.96	66.57	66.99	64.87
Mar	65.85	67.18	67.30	65.60
May	65.85	67.40	67.40	67.40
Jul	66.05	67.55	0	0
Oct	63.87	65.55	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	174.05	175.50	176.20	174.00
Sep	171.45	173.00	173.10	171.10
Nov	162.50	162.90	163.25	162.25
Jan	156.75	157.10	157.20	156.40
Mar	155.25	156.30	155.25	155.25
May	154.90	155.40	0	0
Jul	154.65	155.05	0	0
Sep	154.65	155.05	0	0
Nov	154.65	155.05	155.00	155.00

INDICES

REUTERS (Base: September 18 1931 = 100)

June 15	June 14	mnth ago	yr ago
1915.0	1902.8	1770.0	1616.8

DOW JONES (Base: December 31 1974 = 100)

Spot	141.52	140.25	132.96	128.57
Futures	142.18	140.89	134.94	126.47

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	941/4	920/0	950/0	934/0
Aug	944/0	924/0	954/0	939/0
Sep	939/4	923/0	953/0	932/0
Nov	940/0	925/4	955/4	935/0
Jan	936/4	926/0	954/0	934/0
Mar	933/4	927/4	950/0	932/0
May	916/4	915/0	936/0	918/0
Jul	905/4	902/4	923/0	905/0
Aug	875/0	880/0	892/0	875/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	27.11	26.68	27.68	26.75
Aug	27.40	26.92	27.92	27.00
Sep	27.60	27.22	28.22	27.40
Oct	27.77	27.40	28.40	27.65
Dec	27.92	27.62	28.62	27.75
Jan	27.82	27.62	28.60	27.80
Mar	27.80	27.62	28.60	27.80
May	27.50	27.35	28.36	27.50
Jul	27.00	27.15	28.00	27.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	298.2	293.5	303.5	298.5
Aug	298.2	290.7	300.7	295.0
Sep	295.0	290.0	300.0	294.0
Oct	294.2	289.0	299.0	293.0
Dec	293.2	287.7	297.7	291.0
Jan	291.5	286.2	298.2	290.0
Mar	288.0	283.2	293.2	287.0
May	288.2	282.5	292.5	285.0
Jul	285.0	281.5	291.5	283.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	294/4	279/4	294/4	294/4
Sep	302/4	287/4	302/4	302/4
Dec	314/6	299/6	314/6	306/0
Mar	319/4	306/2	321/2	309/0
May	318/6	308/4	323/4	309/0
Jul	316/6	307/0	322/0	307/0
Sep	289/4	282/4	293/0	285/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	379/0	394/0	404/0	377/0
Sep	388/4	401/6	420/6	387/0
Dec	396/4	411/2	426/0	395/4
Mar	397/0	411/2	412/0	397/0
May	380/0	392/0	399/0	380/0
Jul	345/0	353/4	358/0	345/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	70.07	70.30	70.30	69.47
Aug	65.00	64.60	65.10	63.60
Oct	64.65	63.95	64.80	63.25
Dec	67.65	66.52	67.72	65.77
Feb	69.60	68.10	69.60	67.70
Apr	71.57	70.55	71.95	70.30
Jun	72.20	71.10	72.20	70.80

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	50.50	49.16	50.50	48.30
Jul	48.72	48.07	48.95	47.30
Aug	46.52	45.75	47.00	44.80
Oct	42.55	41.77	42.60	41.10
Dec	44.95	43.75	45.00	42.75
Feb	48.02	46.52	48.02	46.20
Apr	46.65	45.05	46.55	44.75
Jun	50.65	49.35	50.85	49.90

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	45.10	44.47	45.47	43.40
Aug	44.60	43.87	44.90	42.00
Feb	59.85	57.85	59.85	57.60
Mar	58.42	57.42	59.42	57.00

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar stalls ahead of G7

THE DOLLAR made a partial recovery in currency markets yesterday but still showed losses from Wednesday. Investors were less inclined to hold exposed positions in the run up to the G7 *Summit being held* in Toronto at the weekend.

Sentiment was also influenced after further dollar sales by the Bundesbank, and a growing conviction that West German interest rates would be increased next week to support the D-Mark.

The dollar finished barely changed against the D-Mark at DM1.7535 compared with DM1.7530 on Wednesday. Against the yen it slipped to Y125.75 from Y126.20, and finished elsewhere at SFr1.4610 from SFr1.4660 and FFr5.9125, unchanged from Wednesday. On Bank of England figures, the dollar's exchange rate index eased to 94.3 from 94.5.

Sterling's firmer opening was quickly erased, as the latest batch of economic statistics increased concern about a rise in inflation. UK unemployment fell by a provisional, seasonally adjusted 37,600 in May to 2.42m, or 8.7 p.c. of the workforce, down from 8.8 p.c. in April. In addition underlying average earnings rose by 8.75 p.c. in the year to April, compared with a rise of 8.5 p.c. in March.

First quarter provisional current account figures provided a further unpleasant surprise, with the deficit widening to £2.8bn from an upward revised £1.4bn in the fourth quarter of last year. The market had been looking for a shortfall of around £1.95bn. In addition there was a downward revision in invisible earnings to £400m per month from £600m. Of the £4bn deficit forecast for the whole year, 70 p.c. has already been recorded in the first quarter.

The pound's exchange rate index opened higher at 76.6, compared with Wednesday's close of 76.4, but finished at the day's low of 76.3. It was unchanged against a weaker dollar at $1.7865, and DM3.1325 in terms of the D-Mark. Against the yen it slipped to *Y224.75 from Y225.50* and finished elsewhere at SFr2.6100 from SFr2.6200 and FFr10.5625, unchanged from Wednesday.

The French franc was unchanged against the dollar. However dealers stressed that it was mainly central bank intervention that was keeping the dollar down. While the Bank of France was not seen in the market, the Bundesbank was actively selling dollars.

There was little immediate reaction in Paris to comments made by Mr Pierre Beregovoy, French Finance Minister, when he suggested that the franc's relative strength could allow a further cut in interest rates. The money market intervention rate was last changed on May 26, when it was cut to 7 p.c. from 7¼ p.c.

The D-Mark gained some comfort against the dollar, after the Bundesbank sold $88.2m at the Frankfurt fixing, restricting the dollar's rise to DM1.7499.

Trading volume was affected to some extent by closure of West German centres today for a public holiday. Apart from a small improvement against the French franc, the D-Mark's performance elsewhere was less than impressive. Against the Swiss franc it slipped to SFr0.8334 from SFr0.8363 while the yen rose to a record DM1.3900 per Y100 from DM1.3890 on Wednesday. The yen was underpinned by a 2.7 p.c. rise in first quarter GNP, up from 1.8 p.c. in the fourth quarter of last year, making it the fastest annualised growth rate for 10 years.

£ IN NEW YORK

June.16	Latest	Previous Close
£ Spot	1.7870-1.7875	1.7865-1.7875
1 month	0.05-0.04pm	0.07-0.06pm
3 months	0.42-0.39pm	0.45-0.43pm
12 months	2.13-2.05pm	2.20-2.12pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		June.16	Previous
8.30	am	76.6	76.3
9.00	am	76.5	76.3
10.00	am	76.5	76.3
11.00	am	76.5	76.4
Noon		76.4	76.3
1.00	pm	76.4	76.3
2.00	pm	76.4	76.3
3.00	pm	76.4	76.4
4.00	pm	76.3	76.4

CURRENCY RATES

June.16	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.755742	0.664540
U.S Dollar	6	1.35036	1.18999
Canadian $	8.75	1.64150	1.44501
Austrian Sch.	3	16.6040	14.6167
Belgian Franc	6½	49.3894	43.4525
Danish Krone	7½	8.95086	7.90571
Deutsche Mark	2½	2.36164	2.07689
Neth. Guilder	3¼	2.65346	2.33298
French Franc	9½	7.96577	7.01143
Italian Lira	12½	1754.54	1543.72
Japanese Yen	2½	170.550	149.784
Norway Krone	8	8.58424	7.54752
Spanish Peseta	-	155.900	137.290
Swedish Krona	8½	8.19939	7.21492
Swiss Franc	2½	1.96040	1.73203
Greek Drach.	20½	N/A	166.861
Irish Punt	-	0.882934	0.775390

*All SDR rates are for June.15

CURRENCY MOVEMENTS

June.16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.3	-16.4
U.S Dollar	94.3	-12.8
Canadian Dollar	83.2	-3.4
Austrian Schilling	136.5	+10.1
Belgian Franc	99.0	-5.4
Danish Krone	91.4	+1.8
Deutsche Mark	146.1	+21.5
Swiss Franc	170.7	+21.1
Guilder	136.1	+14.4
French Franc	70.4	-13.9
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100). *Rates are for June.15

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June.16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4525	+2.34	+1.06	±1.5344
Danish Krone	7.85212	7.90571	+0.68	-0.60	±1.5404
German D-Mark	2.05853	2.07689	+0.89	-0.39	±1.0981
French Franc	6.90403	7.01143	+1.56	+0.28	±1.3674
Dutch Guilder	2.31943	2.33298	+0.58	-0.70	±1.5012
Irish Punt	0.768411	0.775390	+0.91	-0.37	±1.6684
Italian Lira	1483.58	1543.72	+4.05	+3.30	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

June.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7845-1.7930	1.7860-1.7870	0.06-0.03cpm	0.30	0.45-0.40pm	0.95
Canada	2.1675-2.1790	2.1675-2.1685	0.19-0.29cdis	-1.33	0.32-0.45dis	-0.71
Netherlands	3.51¼-3.52½	3.51½-3.52½	1½-¾cpm	3.84	4-3½pm	4.19
Belgium	65.10-65.70	65.45-65.55	18-4cpm	2.02	48-31pm	2.41
Denmark	11.88½-11.93	11.92-11.93	¼-1⅞oredis	-1.07	par-1⅛dis	-0.19
Ireland	1.1640-1.1725	1.1660-1.1670	0.14-0.21pdis	-1.80	0.50-0.65dis	-1.80
W. Germany	3.12¼-3.13½	3.13-3.13½	1¼-⅞pfpm	4.31	3¾-3½pm	4.63
Portugal	254.30-256.25	254.90-255.30	59-98cdis	-3.68	182-286dis	-3.66
Spain	206.15-207.30	206.40-206.70	22-33cdis	-1.60	54-80dis	-1.30
Italy	2322½-2332½	2327½-2328½	3-7liredis	-4.38	9-15dis	-2.06
Norway	11.34-11.39¼	11.36-11.37	4¾-5¾oredis	-5.15	12¼-14dis	4.71
France	10.55½-10.59¼	10.55½-10.56½	⅞-½cpm	0.57	3¼-2¾pm	1.02
Sweden	10.84½-10.88¼	10.84½-10.85½	1¾-2¼oredis	-2.49	4½-5¼dis	-1.87
Japan	224½-225¾	224¾-225¾	⅞-¾ypm	3.34	2½-2pm	4.00
Austria	21.91-22.07	21.91-21.94	7¾-6¾gropm	4.04	25½-22⅞pm	4.37
Switzerland	2.60½-2.62½	2.60½-2.61½	1½-⅛cpm	4.89	3¾-3½pm	5.27

Belgian rate is convertible francs. Financial franc 65.60-65.70. Six-month forward dollar 1.08-1.05cpm 12 months 2.20-2.10cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June.16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7845-1.7930	1.7860-1.7870	0.06-0.03cpm	0.30	0.45-0.40pm	0.95
Ireland†	1.5295-1.5360	1.5295-1.5305	0.23-0.33cdis	-2.19	0.60-0.75dis	-1.76
Canada	1.2125-1.2165	1.2130-1.2140	0.15-0.18cdis	-1.63	0.49-0.52dis	-1.66
Netherlands	1.9580-1.9705	1.9695-1.9705	0.59-0.57cpm	3.54	1.68-1.63pm	3.37
Belgium	36.45-36.70	36.60-36.70	5.50-4.50cpm	1.64	15.50-13.50pm	1.59
Denmark	6.63¾-6.67¾	6.67¾-6.67¾	0.20-0.70oredis	-0.81	1.20-1.70dis	-0.57
W. Germany	1.7430-1.7550	1.7530-1.7540	0.56-0.53pfpm	3.74	1.64-1.59pm	3.70
Portugal	142½-143	142¾-143	40-95cdis	-3.99	130-180dis	-4.34
Spain	115.15-115.75	115.65-115.75	15-25cdis	-2.08	55-65dis	-2.08
Italy	1295¼-1303¼	1302¼-1303¼	2.80-3.30liredis	-2.81	9.00-10.00dis	-2.92
Norway	6.33½-6.36½	6.36-6.36½	2.75-2.90oredis	-5.34	8.40-8.70dis	-5.38
France	5.88¾-5.91½	5.91-5.91½	0.17-0.11cpm	0.28	0.29-0.19pm	0.16
Sweden	6.05¾-6.08	6.07-6.07½	1.30-1.40oredis	-1.68	3.80-4.00oredis	-2.57
Japan	125.45-126.05	125.70-125.80	0.35-0.32ypm	3.20	1.05-1.00pm	3.26
Austria	12.26½-12.33¼	12.32¼-12.33¼	3.95-3.65gropm	3.71	11.50-10.50pm	3.58
Switzerland	1.4520-1.4635	1.4605-1.4615	0.56-0.51cpm	4.41	1.64-1.59pm	4.44

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 36.70-36.80.

EURO-CURRENCY INTEREST RATES

June.16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7⅜-7¼	7¼-7⅛	7⅞-7⅞	8⅝-8⅝	9⅛-9	9⅛-9⅛
US Dollar	7⅛-7⅛	7⅛-7⅛	7⅞-7⅞	7⅞-7⅝	7⅞-7⅞	8¼-8⅛
Can. Dollar	8¼-8⅛	8¼-8⅛	8⅞-8⅞	9⅛-8⅞	9⅛-9⅛	9⅞-9⅛
D. Guilder	4-3¾	4-3⅞	4-3⅞	4⅛-4	4⅛-4⅛	4⅞-4⅞
Sw. Franc	3-2¾	3-2⅞	3⅛-3⅛	3⅜-3⅜	3⅝-3⅛	3⅞-3⅞
Deutschmark	3¼-3	3¼-3	3⅞-3⅞	3⅞-3⅞	4⅛-4⅛	4⅞-4⅞
Fr. Franc	7¼-7	7¼-7	7⅜-7⅛	7⅜-7⅞	7⅞-7⅞	8-7⅞
Italian Lire	10½-9	10¼-9¼	10¼-9⅝	10⅛-10	10⅛-10⅛	11⅛-11
B. Fr. (Fin)	5⅞-5⅞	6-5⅞	6¼-5⅞	6⅜-6⅛	6⅜-6⅛	6⅞-6⅞
B. Fr. (Con)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅝-8½ per cent; three years 9-8⅞ per cent; four years 9-8⅞ per cent; five years 9¼-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

June.16	£	$
[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

June.16	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilt prices sharply lower

STERLING BASED contracts fell sharply in yesterday's Liffe market as investors reacted to disappointing data on average earnings and first quarter current account figures. Three-month sterling deposits for September delivery were sold aggressively in active trading down to a low of 90.40, erasing the modest improvement shown by the opening price of 90.69 over Wednesday's close of 90.61. It closed at 90.41.

Gilt prices received the same rough handling with nearly 36,000 lots traded in the September contract. The latter fell steeply from an opening level of 97-00 to a low of 96-05, finishing at 96-07, *down from 97-09 previously*.

There was little comfort to be gained from the US bond market, where values were marked down after news of a strong rise in Japanese GNP. The dollar's hesitation ahead of the G7 meeting and the possibility of higher interest rates in Japan and West Germany pushed the September bond price down to 87-28 at one point. It recovered slightly to finish at 88-01, still well down from Wednesday's close of 89-06.

Sentiment was also affected by a further rise in capacity utilisation in May to 82.9 p.c. from 82.7 p.c. in April.

Three-month Euro-dollar deposits were weaker, finishing at 92.12 for September delivery against an opening level of 92.18 and a previous close of 92.21.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
90	619	633	5	11
92	424	450	10	28
94	240	317	26	59
96	115	200	101	142
98	30	110	216	252
100	9	38	359	416
102	4	18	554	560

Estimated volume total, Calls 967 Puts 4053
Previous day's open int. Calls 21776 Puts 27107

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
82	617	603	15	57
84	437	440	35	130
86	302	327	100	217
88	149	228	147	318
90	58	143	254	433
92	28	106	426	560
94	12	44	610	734

Estimated volume total, Calls 166 Puts 100
Previous day's open int. Calls 486 Puts 694

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements JUL	Puts-settlements Jun	Puts-settlements JUL
17000	1630	1748	0	8
17500	1130	1275	0	35
18000	638	848	8	108
18500	230	501	100	261
19000	38	258	408	518
19500	2	114	872	874
20000	0	43	1370	1303

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 20 Puts 120

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements	Puts-settlements
165	[illegible]	[illegible]
170	[illegible]	[illegible]
175	[illegible]	[illegible]
180	[illegible]	[illegible]
185	[illegible]	[illegible]
190	[illegible]	[illegible]
195	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls	Puts
1.750	[illegible]	[illegible]
1.775	[illegible]	[illegible]
1.800	[illegible]	[illegible]
1.825	[illegible]	[illegible]
1.850	[illegible]	[illegible]
1.875	[illegible]	[illegible]
1.900	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements	Puts-settlements
[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

7-10 YEAR 9% NOTIONAL GILT

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

FT-SE 100 INDEX

THREE MONTH EURODOLLAR

US TREASURY BONDS 8%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

LIFFE-STERLING £25,000 $ per £

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING $ per £

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM)

STANDARD & POORS 500 INDEX

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series	Aug. 88 Vol	Aug. 88 Last	Nov 88 Vol	Nov 88 Last	Feb. 89 Vol	Feb. 89 Last	Stock
[illegible]							
NAT.NED. C Fl. 65	300	0.30	58	1.20	2	1.90	Fl. 59.90
NAT.NED. P Fl. 55	279	0.50	10	1.60	-	-	Fl. 59.90
PHILIPS C Fl. 30	686	1.10 B	101	2.10	65	2.90	Fl. 30.40
PHILIPS P Fl. 30	55	0.90	39	1.80	114	2.60	Fl. 30.40
ROYAL DUTCH C Fl. 240	146	1	400	3.50 B	181	6.10	Fl. 229.20
ROYAL DUTCH P Fl. 220	996	1.50	698	5.50	2	7.10	Fl. 229.20
UNILEVER C Fl. 120	219	0.60	109	2.80	64	4.70	Fl. 109.60
UNILEVER P Fl. 110	297	3.20	542	6.30	9	8	Fl. 109.60

TOTAL VOLUME IN CONTRACTS : 35,545

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8
Allied Irish Bank	8½	Comm. Bk. N. East	8½	Norwich Gen. Trust	8½
Henry Ansbacher	8½	Co-operative Bank	*8½	PK Finans. Int(UK)	9
ANZ Banking Group	8½	Coutts & Co	8½	Provincial Bank PLC	9½
Associates Cap Corp	10	Cyprus Popular Bk	8½	R. Raphael & Sons	8½
Authority Bank	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	9½
B & C Merchant Bank	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Banco de Bilbao	8½	Equatorial Bank plc	8½	Royal Trust Bank	8½
Bank Hapoalim	8½	Exeter Trust Ltd	9	Smith & Williman Secs.	8½
Bank Leumi (UK)	8½	Financial & Gen. Sec.	8½	Standard Chartered	8½
Bank Credit & Comm	8½	First National Bank Plc	8½	TSB	8½
Bank of Cyprus	8½	● Robert Fleming & Co.	8½	UDT Mortgage Exp	§9.4
Bank of Ireland	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank of India	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Scotland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Banque Belge Ltd	8½	● Guinness Mahon	8½	Western Trust	8½
Barclays Bank	8½	HFC Bank PLC	8½	Westpac Bank Corp.	8½
Benchmark Bank PLC	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Berliner Bank AG	8½	Heritable & Gen Inv Bk	8½	Yorkshire Bank	8½
Brit. Bk of Mid East	8½	● Hill Samuel	§8½		
● Brown Shipley	8½	C. Hoare & Co.	8½		
Business Mtge Tst	8½	Hongkong & Shangh	8½		
CL Bank Nederland	8½	Lloyds Bank	8½		
Central Capital	8½	Meghraj Bank Ltd	8½		
● Charterhouse Bank	8½	Midland Bank	8½		
		Mount Banking Corp.	8½		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 3.46% Savewise 6.18%. Top Tier-£10,000+ instant access 8.00% § Mortgage base rate. § Demand deposit 3.00%. Mortgage 9.125% - 9.5%

MONEY MARKETS

UK rates move up

A POOR set of figures on the UK current account deficit, plus a rise in average earnings, quickly reversed a softer trend in UK interest rates. An early improvement in sterling encouraged a small decline in opening interbank rates, but three-month interbank money finished higher at 8¾-8⅝ p.c., up from 8⅜-8½ p.c.

UK clearing bank base lending rate 8½ per cent from June 6

One dealer noted that yesterday's figures painted a less than encouraging picture, coming so soon after a 2 p.c. rise in producer input prices, and with the Budget tax cuts starting to filter through, there could be an upsurge in consumer spending.

Overnight interbank money touched a low of 6 p.c. but late demand took the rate to a high of around 9⅜ p.c.

The Bank of England forecast a shortage of around £800m, with bills maturing in official hands and repayment of any late assistance, together with a take up of Treasury bills draining £127m, and a rise in the note circulation a further £100m. In addition banks brought forward balances £100m below target and Exchequer transactions drained a nominal £10m.

The Bank gave assistance in the morning of £17m through outright purchases of eligible bank bills in band 4 at 8⅜ p.c. Further assistance was given in the afternoon of £155m through purchases of £27m of eligible bank bills in band 3 and £128m in band 4, all at 8⅜ p.c. Late help came to £25m, making a total of £197m.

In Frankfurt, call money rose sharply to as high as 3.85 p.c. at one point, compared with Wednesday's 3.5 p.c., after reports that the Bundesbank would increase its sale and repurchase rate next week.

Most dealers had already pencilled in another increase, in response to a weaker D-Mark, but the suggestion that an increase could come as early as next Tuesday's scheduled sale and repurchase tender took many dealers by surprise.

The rate currently stands at 3.25 p.c. and is regarded as the barometer for official thinking on interest rate policy. Dealers suggested that the rate could be pushed up to as high as 3.50 p.c. since money market rates had been consistently higher than the repurchase rate for some time.

Any move in rates before the end of the month could put additional strain on banks' reserves, already depleted by a major round of corporate tax payments.

FT LONDON INTERBANK FIXING

(11.00 a.m. June.16) 3 months US dollars | 6 months US Dollars

bid 7⅞	offer 7⅞	bid 7⅞	offer 7⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
[illegible]	[illegible]	[illegible]	[illegible]

June.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

June.16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

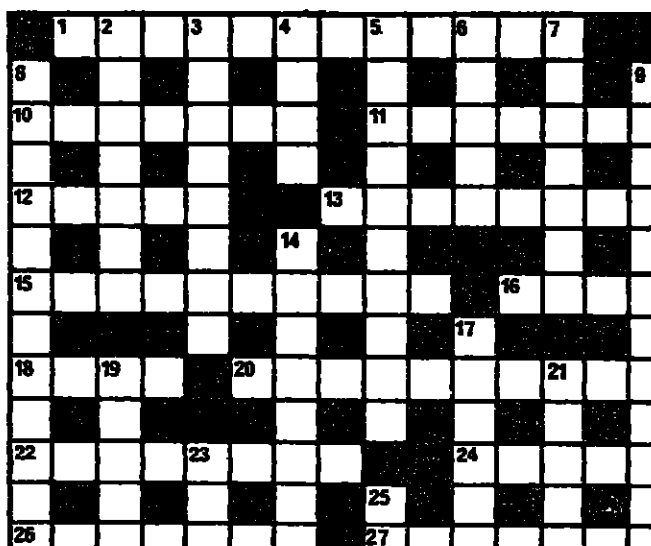
FT 30	FTSE 100	WALL STREET
Jun 1479/1488 -6	Jun. 1859/1869 -10	Jun 2105/2117 -20
Sep. 1488/1497 -6	Sep. 1870/1880 -10	Sep 2113/2125 -28

Prices taken at 5pm and change is from previous close at 9pm

JOTTER PAD

FT CROSSWORD No.6,658

SET BY DINMUTZ



ACROSS

1 Means of assessing ground rents? (7,5)
10 Scoffing at fencing (7)
11 Salinger's fielder in the long grass (7)
12 Affair of the tinkling note (5)
13 Composer of sad organ pieces (8)
15 Becoming sentimental, play snooker in the Crucible (7-3)
16 Quantity in service (4)
18 Towers of strength (4)
20 Reptile Alan dreams about (10)
22 This tough soldier has nothing to control (5)
24 Stern, for example, applies it to the bow (5)
26 Perfectly good headlight in the pictures (7)
27 Army takes a long time to achieve security (7)
28 Feel tip is outrageous? One dose lay it on thick! (7,5)

DOWN

2 Sign to approve first of many perhaps (7)
3 It gives increased security to locks (8)
4 Border advantage (4)
5 Priestley, we hear, also carted off (10)
6 Entertainment showing in this London district (5)
7 Australian toothless creatures loosely chained (7)
8 R3 his concern? (13)
9 No thoroughbred spaniel found in the vault (5-8)
14 Ornamental moulding to interest curate and dressmaker? (3-3-4)
17 Tweed available for former US president (8)
19 Murdo upset, taken in by doctor, gets a sweet to suck (7)
21 Women's work for girl over personnel (7)
23 A price to be paid for Bikini, for example (5)
25 Oxford, perhaps, for Sunday work in the garden (4)

Solution to Puzzle No.6,657

DOGGEREL MASCOT
I L X N D A E
NEAPTIDE COUPON
N D R I T R R D
ERICA VERSATILE
R A E A T R
ATONES PRITHEE
A O I O A D
BURGLAR SUNLIT
D R I W R K
UNSHEATHE NOBLE
C I T E A O R E
TISSUE STARTURN
O A R E M S E
ROLAND BREATHER

FT UNIT TRUST INFORMATION SERVICE

Target Trust Mngrs Ltd
Target Hse, Gatehouse Rd, Aylesbury Bks 0296 394000

American Eagle	62.0	66.0xd	+0.4	1.25
Australia	8.3	8.9	+0.1	0.10
Commodity	80.1	85.2	—	1.06
Convertible	152.1	161.6	-0.1	5.51
Equity	145.4	154.8xd	—	3.17
Euro Spec Sits	78.4	83.2	—	1.31
Financial	31.5	33.4	—	1.88
Global Opps Inc	58.4	62.1	+0.1	—
Global Opps Acc	58.4	62.1	+0.1	—
Gold Income	54.4	57.8	+0.3	0.80
Gold Acc	100.2	106.5	+0.6	0.80
Income	110.2	117.2xd	+0.2	4.61
Japan	128.3	136.0	—	0.10
Pacific Income	115.6	122.7	-0.1	0.86
Pacific Re Inv	143.3	152.5	—	0.86
Preference Share	25.5	27.2	+0.1	6.71
Special Sits	101.1	108.0	-1.2	0.58
Technology	42.0	44.7	+0.1	0.10
UK Capital	90.6	96.4	+0.2	1.27
World Income	50.9	54.1	—	5.24
Worldwide Capital	146.9	156.2	+0.6	1.14
Equity Exempt	111.0	118.1xd	—	1.54
Equity Exempt Acc	212.6	226.2	—	1.54

Templeton Investment Management
20 Copthall Avenue, EC2R 7PA. 01-588 4064
Intl Pen & Chrties 89.9 93.6xd +2.2 —

Thornton Unit Managers Ltd
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

American Opps	37.8	40.3	-0.3	1.36
(Accum Units)	38.6	41.2	-0.3	1.36
European Opps	42.2	45.0	—	1.06
Far Eastern Opps	84.2	89.8	+0.2	0.45
(Accum Units)	84.4	90.0	+0.2	0.45
Golden Opps	35.0	37.3	+0.3	1.19
Intl Hi-Yield	43.7	46.6	-0.1	4.28
Japanese Opps	60.1	64.1	+0.1	0.87
(Accum Units)	60.1	64.1	+0.1	0.87
Kangaroo	31.5	33.6xd	+0.3	1.33
Oriental Income	28.5	30.4	+0.1	2.03
(Accum Units)	29.0	30.9	+0.1	2.03
Pacific Technology	52.8	56.3	-0.2	0.00
(Accum Units)	52.8	56.3	-0.2	0.00
Tiger	81.9	87.4	+0.4	0.49
(Accum Units)	82.6	87.8	+0.3	0.49

J. Rothschild Fund Managers Ltd—Contd.

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
AA Friendly Sy Jun 10 — 139.4 — —

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	234.8	247.2	—	—
Equity Ser. 1	119.4	126.3	-0.2	—
Prop. Acc. Ser 2	340.1	358.1	—	—
Equity Ser 2	132.6	139.6	-0.1	—
Selection Acc	283.0	297.9	—	—
Prop. Ser. 4	268.1	282.3	—	—
Equity Ser. 4	134.5	141.6	-0.1	—
Fixed Int. Ser. 4	214.6	226.0	+0.1	—
Indexed Inv. Ser. 4	120.9	127.4	+0.3	—
American Ser. 4	257.4	271.0	+0.3	—
High Inc. Ser. 4	376.0	395.8	-1.6	—
Japan Ser 4	284.1	299.1	-0.2	—
Man. Ser. 4	379.9	399.6	+0.1	—
Money Ser. 4	215.6	227.0	—	—
European Ser 4	91.8	96.7	+0.5	—
Pension Funds				
Property	451.2	475.0	—	—
Equity	956.6	1007.	+2.2	—
Selective	301.8	317.7	—	—
Managed	680.8	716.7	+1.7	—
Security	394.6	415.4	—	—
Fixed Int.	239.1	251.7	+0.2	—
European	124.6	131.2	+0.9	—
American	210.5	221.6	+0.3	—
Japan	305.5	321.6	-0.2	—
Indexed	128.1	134.9	+0.3	—
International	142.0	149.5	-0.5	—
Ethical	100.4	105.7	+1.5	—
High Income	100.5	105.8	-0.6	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	269.8	284.1	—	—
Man Pen Inc & Cap Fds	345.9	364.2	—	—
Money Fund	112.8	118.8	—	—
Pens Mngd Fd (Init)	88.2	92.9	—	—
Pens Mngd Fd (Acc)	100.9	106.3	—	—
Pens FT30 Fd (Init)	129.7	136.6	—	—
Pens FT30 Fd (Acc)	148.3	156.2	—	—
Pens O'seas MgFd(Init)	58.5	61.6	—	—
Pens O'seas MgFd(Acc)	66.8	70.4	—	—
Pens Fxd Int Fd (Init)	107.6	113.3	—	—
Pens Fxd Int Fd (Acc)	123.0	129.5	—	—
Pens Deposit Fd (Init)	101.4	106.8	—	—
Pens Deposit Fd (Acc)	115.9	122.0	—	—

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

American	92.00	97.00	-1.0	—
Building Soc. Fd	161.0	170.0	—	—
Balanced	243.0	256.0	—	—
Deposit	160.0	169.0	—	—
European	126.00	133.0	+1.0	—
GT Managed	153.0	162.0	+2.0	—
Gartmore Mngd	102.0	108.0	—	—
German	90.00	95.0	+1.0	—
Gilt	171.0	180.0	-3.0	—
High Inc.	115.0	122.0	—	—
International Equity	154.0	163.0	+3.0	—
Japan	220.0	232.0	+2.0	—
Managed	54.0	57.0	—	—
Property	256.0	270.0	—	—
R. W. Imperial Gold	132.0	139.0	—	—
UK Equity	319.0	336.0	+1.0	—
Pension Funds				
American	113.0	119.0	—	—
Building Soc. Fd	152.0	160.0	—	—
Balanced	184.0	194.0	—	—
Deposit	150.0	158.0	—	—
European	122.0	129.0	—	—
GT Managed	160.0	169.0	—	—
Gartmore Mngd	98.0	104.0	—	—

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100[illegible]	99[illegible]	Treas. 9½pc '88	100[illegible]	–[illegible]	9.48	8.62
102[illegible]	101[illegible]	Treas 11½pc 1989	101[illegible]	–[illegible]	11.32	8.91
101[illegible]	99[illegible]	Treas 9½pc Cnv 1989	100[illegible]	–[illegible]	9.46	8.92
97[illegible]	95[illegible]	Treas 3pc 1989	97[illegible]	.....	3.09	6.41
102[illegible]	100[illegible]	Treas 10½pc 1989	101[illegible]	–[illegible]	10.35	8.92
102	100[illegible]	Exch 10pc 1989	101[illegible]	–[illegible]	9.90	9.04
103[illegible]	101[illegible]	Exch 11pc 1989	102[illegible]	–[illegible]	10.76	9.02
97[illegible]	95[illegible]	Treas 5pc 1986–89	96[illegible]	.....	5.16	7.48
104[illegible]	101[illegible]	Exch 10¼pcCv '89	102[illegible]	–[illegible]	10.03	8.46
107[illegible]	105[illegible]	Treas 13pc 1990‡‡	105[illegible]	–[illegible]	12.31	9.10
104[illegible]	102[illegible]	Exch 11pc 1990‡‡	102[illegible]	–[illegible]	10.70	9.10
107[illegible]	105[illegible]	Exch. 12½pc 1990	105[illegible]	–[illegible]	11.87	9.14
95[illegible]	91[illegible]	Treas. 3pc 1990	93[illegible]	.....	3.22	6.98
99[illegible]	98[illegible]	Treas 8¼pc 1987–90‡‡	99[illegible]	–[illegible]	8.33	8.70
102[illegible]	98[illegible]	Treas. 8pc Cv 1990 ‡‡	100[illegible]	–[illegible]	8.01	8.05
103[illegible]	100[illegible]	Treas. 10pcCv 1990	101[illegible]	–[illegible]	9.82	9.10
91[illegible]	88[illegible]	Exch 2½pc 1990	90[illegible]	–[illegible]	2.77	6.92
107[illegible]	105[illegible]	Treas 11¾pc 1991	105[illegible]	–[illegible]	11.11	9.16
95[illegible]	92[illegible]	Funding 5¾pc '87–91‡‡	94[illegible]	–[illegible]	6.10	8.08
90[illegible]	87[illegible]	Treas 3pc 1991	89[illegible]	–[illegible]	3.36	7.19
105[illegible]	101[illegible]	Treas 10pc Cv '91 ‡‡	103[illegible]	–[illegible]	9.71	8.85
107[illegible]	104[illegible]	Exch. 11pc 1991	105[illegible]	–[illegible]	10.46	9.16
98[illegible]	95[illegible]	Treas. 8pc 1991	96[illegible]	–[illegible]	8.26	9.05
113[illegible]	109[illegible]	Treas 12¾pc 1992‡‡	110[illegible]	–[illegible]	11.52	9.19
104[illegible]	101[illegible]	Treas 10pc 1992	102[illegible]	–[illegible]	9.76	9.19
98[illegible]	94[illegible]	Treas. 8pc 1992 ‡‡	96[illegible]	–[illegible]	8.30	9.12
106[illegible]	102[illegible]	Treas 10½pc Cv 1992‡‡	104[illegible]	–[illegible]	10.09	9.22
86[illegible]	83[illegible]	Treas. 3pc 1992	85[illegible]	–[illegible]	3.51	7.35
112[illegible]	108[illegible]	Exch. 12¼pc '92	109[illegible]	–[illegible]	11.14	9.31
117[illegible]	113[illegible]	Exch 13½pc 1992	114[illegible]	–[illegible]	11.81	9.33
40[illegible]	38[illegible]	Treas. 8¾pc 1993 (£40)●	39	–[illegible]	8.57	9.26
105[illegible]	100[illegible]	Treas 10pc 1993‡‡	102[illegible]	–[illegible]	9.73	9.25

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

OTHER OFFSHORE FUNDS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
28⅞	22	TRW Inc 62½c	26	–⅛	$1.60	–	3.3
26½	21¼	Tenneco $5	28	–⅛	$3.04	–	6.4
28⅝	19⅞	Texaco $6.25	27⅜	–¼	$3.00	–	5.9
54	43¼	Time Inc. $1	54½	–¼	$1.00	–	1.0
20⅜	15⅞	Transamerica $1	19¼	+¼	$1.84	–	5.1
10½	754p	Transworld Corp $5	10½	+⅛	20c	–	1.0
20⅛	14½	TRINOVA Corp	17½	–⅛	56c	–	1.8
19	15⅛	USX $1	17⅛	–⅛	$1.20	–	3.7
23	17⅝	Utd. Technologies	22	–⅛	$1.60	–	3.9
31¼	26¼	US West	31¼	–½	$3.52	–	6.2
21¼	16⅞	Waste Management $1	20½		48c	–	1.3
16¼	12⅞	Whirlpool $1	15¼	+⅛	$1.10	–	3.8
32	18¼	Woolworth $3½	30⅝	+1	$1.64	–	2.9

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	190p	ABM Gold Corp	190p	–11	–	–	–
32p	11p	Abbot Energy Corp	24½p	+½	–	–	–
14¼	990p	Amer. Barrick Res	12½		–	–	–
10p	3½p	American Lightwave	7p		–	–	–
47p	18⅞p	Armeno	20½p	–½	–	–	–
76p	45p	Augmitto Expln	69p	+3	–	–	–
12½	10⅝	Bk. Montreal	12½	–⅛	$2.00	–	7.1
620p	514p	Bk. Nova Scot.	620p	+20	76c	–	5.4
17½	15¼	BCE	17	–⅛	$2.44	–	6.3
716p	591p	Bow Valley	643p	–5	40c	–	2.7
12¼	10½	Brascan	12¼		88c	–	3.2
328p	189p	Bramwater Res	258p		10c	–	1.7
10⅝	801p	Can. Imp Bank	10⅝	+⅛	$1.16	–	4.8
10¼	841p	Can. Pacific	10¼		60c	–	2.5
41½	40	Do. 4pc Deb £100	40½		4%	–	9.9
476p	362p	Central Capital "A"	460p	+2	–	–	–
886p	288p	Cons. TVX Min	454p	+7	–	–	–
220p	76p	Danbus Res	220p		–	–	–
540p	430p	Derlan Inds	540p	+7	11.75c	–	1.0
14¼	984p	Echo Bay Mines	12⅝	–⅛	14c	–	0.5
40p	26p	Energex Minerals	36½p	–½	–	–	–
107p	83p	Euro-Asia Capital Ltd	94p	+1	–	–	–
382p	222p	Galactic Resources	345p	–27	–	–	–
123p	99p	Geodome Res	115p		–	–	–
394p	206p	Granges Expln	230p	–28	–	–	–
16½p	8½p	Gt Pacific Res	11½p		–	–	–
894p	652p	Gulf Canada	868p	+20	52c	–	2.6
10⅞	816p	Hawker Sid Can	10¼	–⅛	$1.08	–	4.4
588p	344p	Henlys Group	483p	+24	–	–	–
957p	785p	Hudson's Bay	879p	–4	60c	–	3.0
27¼	22⅞	Imperial Oil	26¼	+½	$1.80	–	3.0
18⅞	10⅛	Inco	18⅞	+⅛	US$0.80	–	2.4
451p	312p	Intl. Corona Res	437p	+7	–	–	–
718p	462p	Inland Nat. Gas $1	529p	+2	60c	–	5.0
577p	390p	Lacana Mining Corp	552p	+13	Q15c	–	1.2
250p	150p	Madeleine Mines	214p	+3	–	–	–
181p	126p	Muscocho Expln	170p		–	–	–
187p	75p	Ntnl Business Syst.	124p		–	–	–
237p	110p	Nevada Goldfields	182p	–1	–	–	–
12	787p	Rio Algom	10⅞		$1.30	–	5.3
14½	11½	Royal Bk. Can.	14½	+¼	$2.08	–	6.3
269p	177p	Royex Gold Mining	264p		–	–	–
32½	26⅝	Seagram	31⅝	+⅛	US$1.20	–	2.1
361p	178p	Sonora Gold Corp	188p		–	–	–
73p	18p	Spiral Eng	66p	–7	–	–	–
147p	35p	Tam Pure Tech. Corp	147p	+3	–	–	–
14¼	11¼	Toronto-Dom. Bk.	14⅜	+⅛	$1.12	–	3.3
64p	14p	Trans Atlantic Res	16p	+1	–	–	–
671p	566p	Trans Can Pipe	637p	+7	68c	–	4.7
201p	127p	Varity Corp	186p	–4	B–	–	–

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING—Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ∯ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▮ No par value

B.Fr. Belgian Francs Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield h Assumed dividend and yield after scrip issue j Payment from capital sources k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H *Dividend and yield based on prospectus or other official estimates* for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987 Q Gross R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates T Figures assumed. W Pro forma figures. Z *Dividend total to date.*

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	70	...
Craig & Rose £1.. γ	690	+2
Finlay Pkg. 5p.... γ	88	.....
Holt (Jos) 25p.... γ	£11¾	......

IRISH

Nat. 9¾% 84/89.	£100¾	.....
9pc Cap Ln. 1996..	£98¾	.....
Fin. 13% 97/02...	£119	......
Arnotts .... γ	375	+5
CPI Hldgs. ..... γ	118	...
Carrol Inds. .... γ	152	−1
Hall (R. & H.)	161	+1
Heiton Hldgs. ... γ	48	+2
Irish Ropes........ γ	165	...
Unidare .... γ	428	+20

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	38
Boots	19
Bowater	35
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk	37
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect.	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	60
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45
Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	58
Oils	
Brit Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26
Mines	
Cons Gold	95
Lonrho	29
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun 6	Jun 16	Jun 17	Jun 27
Jun 20	June 30	Jul 1	Jul 11
Jul 4	Jul 14	Jul 15	Jul 25

*New time dealings may take place from 9.00 am two business days earlier.

Gilts and equities suffer widespread losses on UK trade and earnings statistics

IT WAS a switch-back trading session in the London equity market yesterday, with early gains sharply reversed after discomforting statistics on UK trade and average earnings revived worries over inflation. A weak opening on Wall Street also depressed the market at the close.

Turnover was disappointing, with little sign yet of significant movement into UK equities by the big investment funds. However, equities bounced back after dipping to within a couple of points of the FT-SE 1855 resistance level and the City remained somewhat more optimistic than it has been for many weeks.

The FT-SE 100 Index was 10 points up in early trading with the overnight firmness on Wall Street buoying sentiment, if not turnover, in London. However, the rug was swiftly pulled from under both equities and Gilts by the announcement of a revised UK trade deficit for the first quarter, from the originally projected £1.9bn to £2.8bn.

Following within minutes came the announcement that average UK earnings were showing an annualised rise of 8.75 per cent, and equities swung downwards to show a net fall of 12 points at worst, with sentiment additionally dampened by an early fall of 30 points in the Dow.

After a modest closing rally, the FT-SE 100 Index ended a net 7.4 off at 1861.9. Seaq turnover, at 467.5m shares bore witness to the continued absence of the institutional investors.

For many share sectors, most of the day passed without much activity on either the buy or sell side of the market equation. The fall largely reflected a bout of nervousness, brought on both by the UK economic data and also by reports in the German press that the Bundesbank might be about to raise its securities repurchase rate.

The international blue chips headed the downswing but rallied before the end of the session. British Gas pleased the market with its trading figures, but the rest of the energy sector was quiet. Consolidated Gold Fields moved up sharply, although some analysts now doubt the bid stories which have circulated recently, and prefer to upgrade the stock on the fundamental strength of its gold interests.

Government bonds, already weak in response to a fall in US bonds in Tokyo overnight, took a further turn for the worse following the UK trade and earnings data. Not much retail selling was seen, but the absence of support was enough to take ⅞ off prices at the long end and around ¾ in the mediums.

Index-linked brightened a shade when the UK earnings figures reawakened inflation fears. But gains were very small, and turnover thin.

British Gas stood out, with a rise of 5½ to 184½p, topping the list of active stocks with turnover of 30m shares after delighting the market with a significant increase in the dividend payout. Some analysts had predicted a payment total of 7.5p, so 8p a share was very well received.

"This represents a significant change in policy at British Gas", commented Mr Phillip Lambert at Kleinwort Grieveson, pointing out that the higher payment was made despite the board's comments on reduced domestic gas sales because of warm winter weather.

Defence-orientated Electricals were the day's heaviest traders. Support was generated by the feeling that, contrary to some estimates, the decline in Government spending on defence would be less severe than envisaged. BZW has held a series of seminars or presentations with companies and the Ministry of Defence this week. Other security houses have hosted similar events.

BZW particularly favours Ferranti, higher at 82p after turnover of 8.4m shares, but GEC were more active - 10m shares traded - and the close was 4½ up at 153p. Plessey also changed hands freely although the price recorded little overall movement, while volume in Racal Electronics, slightly harder at 316p, totalled 5.4m shares.

General Accident gave up another 2 to 925p, as the market anticipated a statement this morning on a possible purchase of the Brierley group's 35 per cent stake in NZI - or perhaps the whole of the equity of the New Zealand insurance and financial services group.

The London market is wary of rumours of a price tag around £700m for the whole of NZI. Such a price, implying a fund-raising need by Gen Acc, could hurt the group's shares.

The sharp early setback on Wall Street yesterday set the seal on a drab day in the International stocks. Lack of fresh support saw quotations drift back after a small early improvement, with the reaction gaining momentum in the wake of US influences. Most quotations, however, closed above the worst. ICI, in particular, staged a good rally, ending 6 off at 1047, after falling to around 1038p at one stage.

Glaxo in contrast, finished only a few pence above the lowest with a fall of 18 to 965p. BOC settled 9½ cheaper at 406½p, while Beecham recorded a more modest loss of 5 at 469p; the company announced proposals yesterday to buy in up to 10 per cent of its own shares in the market. Reuters, persistently bought in the US recently, gave up 8 to 543p. Wellcome, down to 547p at one stage, finished a similar amount down at 549p.

Sellers again held command in Pilkington, down 5 more at 204p, after uninspiring comment on the figures. Trading continued at a high level with around 5.7m shares changing hands.

Royal Insurance ended unchanged at 414p, after Adelaide Steamship disclosed that it had transferred its 6 per cent stake in Royals to a jointly-owned subsidiary. London was puzzled by the deal, which includes a repurchase option at a higher price, but read it as a move by Adelaide to ease financing on the stake, which could be locked in if Group Victoire of France completes its rumoured link-up with Royal.

The same factors appeared to reduce the likelihood that Adelaide might show interest in Commercial Union, but shares in Commercial added 6 to 404p on market rumours that Winterthur of Switzerland was now the interested party.

Among life companies, Pearl ran back by 18 to 509p, and a cooling of speculative passions also brought a fall in Abbey Life (334p).

National Westminster gave up a further 5 to 570p as the downgrading by Warburg Securities continued to bite. The other clearers were dull. Morgan Grenfell at 340p slid lower in a weak merchant banking sector.

With the exception of British Gas, the energy sector had a quiet session. There was speculative demand for Ultramar, up 8 at 309p on the market's upgrading of the Canadian refinery assets in the wake of the prices achieved by Texaco's asset sales.

But BP new at 68½p, and the old at 266p traded quietly and both Enterprise Oil (450p) and LASMO (449p) shaded easier.

Dauphin International, an office seating company, began trading at a premium on the recent placing price of 105p. With a fully-listed quote, the shares opened at 112p and progressed to close first-time dealings at 116p.

Scottish & Newcastle regained ground late in the day when an institutional buyer appeared and the shares closed 4 dearer on balance at 328p. Other Brewery leaders picked up shortly afterwards, but the majority still showed minor losses at the end of the session. Regional issues continued their run in the opposite direction with the spotlight swinging to Wolverhampton & Dudley. A press article suggesting that the group was a prime takeover target aroused a flurry of inquiry which took the price 6 higher to 407p. Boddington also attracted keen interest and gained 7 to 161p while Vaux improved 4 to 577p.

Disappointing annual results prompted a sharp reaction of 17 to 293p in Johnson Matthey, while Flexello, reflecting the half-year loss, dipped 16 to 125p.

London International Group produced preliminary figures in line with market expectations, but met with profit-taking after the recent good run and the shares closed 6 down on the day at 270p.

Favourable comment on the annual results prompted occasional support for Yale and Valor which improved 9 to 290p.

Apart from a further speculative flurry in Storehouse, which touched 270p bid before settling 3 up on the day at 263p, Store shares passed an unexciting trading session.

Profit-taking in the wake of the preliminary figures left Body Shop down 30 at 610p.

A press report that LPA Industries could shortly announce sharply higher profits touched off an upsurge in the shares which ended 17 higher at 84p.

VSEL Consortium produced annual pre-tax profits for the year of £17.6m which were above market expectations and the shares moved ahead strongly to close 17 up at 480p. Hoare Govett's analysts are bullish of the stock and are now forecasting earnings per share of 80p for 1990. They also reckon the group has a good chance of winning the Canadian submarine contract.

Unigate confirmed that it had experienced a pretty rough year, revealing annual profits lower at £94m compared with £104.7m last time. The shortfall was no surprise to the market, however, and the shares closed a penny easier on the day at 325p. Current favourites elsewhere in the Food sector slipped back on profit-taking led by Cadbury Schweppes, down 9 at 401p, and Tate & Lyle, 13 lower at 810p. A securities house "sell" recommendation triggered pressure on RHM, which fell 6 to 374p.

Trusthouse Forte enjoyed a late advance which left the price 8 firmer at 254p on turnover of nearly 6m shares.

A quiet day in the building sector was enlivened by a late jump of 22 to 182p in Stanley Miller in response to news that Helical Bar, the property group, has acquired a 5.1 per cent stake in the company. Persistent demand for S. Miller recently was thought to have mainly reflected development prospects for some 25 acres of land on Newcastle's Quayside. Helical Bar closed 5 better at 340p.

Leisures brightened a drab market with a host of good features. Barr & Wallace "A" spurted 9 to a high point for the year of 272p while Marina Development rose 11 to 298p and Leisure Investments 6 to 111p. Radio stocks featured well with Piccadilly up 5 at 115p and Radio Clyde 7 higher at 171p. Prestwich were one of the few casualties and fell 7 to 136p.

Currently popular Publishing and Paper issues retreated as short-term investors realised profits accruing on the trading Account. United Newspapers reacted 6 to 428p, while Bunzl gave back most of Wednesday's rise to close at 150p and Reed International slipped 5 to 408p. Expansion hopes lifted Ketson 2 to a 1988 high of 94p and small buying in a limited market lifted FKB 14 to 260p. Agencies had contrasting features in Saatchi & Saatchi, down 20 at 403p, and Gold Greenlees, 7 up at 274p after impressive annual results.

Marler Estates led the way in a lively property sector following news that Priest Marians had bought an extra 0.5m shares on Wednesday at 72p to increase its holding to 5.2m, or nearly 7%. Dealers admitted that they were puzzled by the move and after some concerted speculative buying Marler closed 12 up at 83p. Priest Marians remained unaffected by the news and improved just 1 to 383p.

Elsewhere there were signs of profit-taking near the end of the account as Hammerson "A" lost 12 to settle at 629p. MEPC and Land Securities also eased after good runs, down 8 to 552p and 6 to 592p respectively.

S.Jerome bounded 18 higher to 238p following a strong "buy" signal from BZW. The securities house rate the shares exceptional cheap at the current 35-40 per cent discount to the asset.

Harrisons & Crosfield was the highlight of Overseas Traders, improving 11 to 629p on the back of news that the severe drought in the US could push up the price of agricultural commodities. H&C's principal activities include the production and distribution of agricultural food products and animal feeds.

Inchcape also fared well as the market continued to respond to a strong buy recommendation from Chase analyst Mike Smith, who expects the Inchcape price to reach 240p soon. As it was, the stock closed 5 better at 207p.

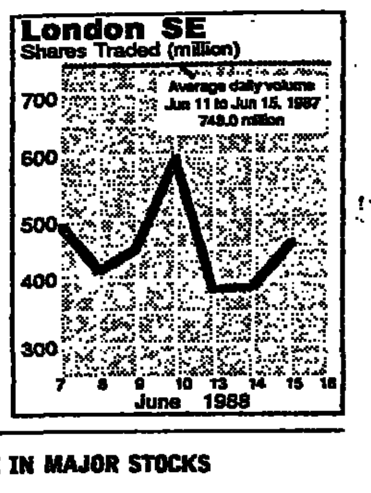
Business was brisk in Traded Options, particularly in British Gas, which with 6,874 calls and 2,430 puts accounted for almost a third of the day's total volume of 34,328 (23,784 calls and 10,544 puts). Gas excelled on the back of its figures and the increased dividend. The other star performer was again Hanson Trust with 1,275 calls and 1,016 puts as market-makers were reported to be dealing almost exclusively amongst themselves. Storehouse options were also active, particularly in the October 240 calls.

Traditional Options

- First dealings June 13
- Last dealings June 24
- Last declarations Sept 15
- For Settlement Sept 26

For rate indications see end of London Share Service

Dealers reported a quieter day's trading in the Traditional option market. Money was given for the call of T. Cowie, Rex Williams, Aarlen Holdings, Bristol Channel, Oceonics, Singer and Friedlander. A put was arranged in Helical Bar, but no double options were reported.



FINANCIAL TIMES STOCK INDICES

	June 16	June 15	June 14	June 13	June 10	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	89.85	90.24	90.03	89.80	89.89	91.94	91.43 (18/4)	86.97 (13/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.48	98.36	98.20	98.18	98.12	98.88	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1481.6	1485.6	1482.7	1458.6	1468.2	1783.1	1485.6 (15/6)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	221.2	221.8	221.2	217.2	228.6	383.0	312.5 (7/1)	195.4 (13/5)	734.7 (15/2/83)	43.5 (26/10/71)
Ord Div Yield	4.49	4.45	4.45	4.53	4.50	3.21				
Earnings Yld. % (full)	11.52	11.42	11.41	11.64	11.57	7.74				
P/E Ratio (net) (*)	10.58	10.68	10.68	10.48	10.54	15.90				
SEAQ Bargains (5pm)	28,026	30,017	25,773	25,040	25,790	49,867				
Equity Turnover (£m)	-	1589.48	1064.99	1304.26	1517.85	1582.26				
Equity Bargains	-	31,143	26,416	31,294	30,223	58,861				
Shares Traded (ml)	-	533.0	390.6	388.1	591.0	704.3				

S.E ACTIVITY

Indices	June 15	June 14
Gilt Edged Bargains	134.7	127.0
Equity Bargains	201.79	171.1
Equity Value	3212.8	2152.6
5-Day average		
Gilt Edged Bargains	105.3	108.1
Equity Bargains	191.8	184.3
Equity Value	2659.2	2423.6

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1486.4	1492.2	1490.1	1488.2	1482.8	1482.5	1476.4	1479.5

Day's High 1484.9 Day's low 1475.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.48.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (133).

AMERICANS (9) CANADIANS (3) BANKS (2) BREWERS (9) BUILDINGS (9) CHEMICALS (5) STORES (6) ELECTRICALS (6) ENGINEERING (2) FOODS (1) INDUSTRIALS (21) INSURANCE (4) LEISURE (2) MOTORS (3) NEWSPAPERS (1) PAPERS (7) PROPERTY (17) TEXTILES (1) TRUSTS (12) OILS (4) OVERSEAS TRADERS (1) MINES (8) THIRD MARKET (2).

NEW LOWS (13).

BRITISH FUNDS (1) Treas 11¼pc 1989, CHEMICALS (2) Chemring Int., Dyelex, FOODS (1) Park Food, INDUSTRIALS (2) Hewat Whiting, Kelsey Inds., PAPERS (3) Fairway (London), Horne (Robert), Hunterprint, SHOES (1) Pittard Garnar, TRUSTS (2) Fashion & Gen., TR Tech. Stepped Prf.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	2,000	General Accident	555	Prudential	4,300
Allied-Lyons	2,600	General Elect.	10,000	Racal	5,300
Amstrad	2,400	Glaxo	1,300	Rank Org.	282
Argyll Group	1,500	Globe Investment	301	RMC	112
Assoc. Brit. Foods	152	Granada	1,000	RHM	452
BAA	1,600	Grand Met	846	Reckitt & Colman	352
BAT	801	GUS "A"	162	Redland	667
BET	2,000	Guardian R.E.	533	Reed Intl	993
BICC	1,000	GKN	1,500	Reuters "B"	1,300
BOC	849	Guinness	519	RTZ	2,120
BPB Inds	712	Hammerson	79	Rolls-Royce	1,500
BTR	2,200	Hanson	5,250	Rothmans "B"	630
Barclays	1,700	Hawker Siddeley	284	Rowntree	156
Bass	400	Hillsdown Holdings	516	Ryl Bank Scotland	399
Beecham	2,400	IMI	2,700	Royal Insurance	1,300
Blue Arrow	2,200	ICI	747	STC	781
Blue Circle	405	Inchcape	2,100	Saatchi & Saatchi	1,000
Boots	2,000	Jaguar	979	Sainsbury	3,000
Brit. Airways	3,400	Ladbroke	462	Scott & Newcastle	2,700
Brit. Aerospace	663	Land Securities	561	Sears	6,100
Brit. & Comm.	364	Laporte	51	Shell Transport	698
British Gas	30,000	Legal & General	1,000	Smith & Nephew	2,600
BP	3,200	Lloyds Bank	1,700	Standard Chartered	147
Brit. Telecom	3,700	LASMO	3,200	Storehouse	1,100
Burmah Oil	907	Lonrho	787	Sun Alliance	276
Burton	3,300	Lucas	433	T & N	413
Cable & Wireless	3,700	MEPC	441	TSB	1,400
Cadbury Schweppes	2,900	Marks & Spencer	1,300	Tarmac	1,800
Coats Viyella	893	Maxwell Comm.	318	Tesco	1,500
Commercial Union	4,700	Metal Box	1,500	THORN EMI	1,200
Cons. Gold	2,100	Midland Bank	1,700	Trafalgar House	690
Cookson	277	NatWest Bank	2,000	Trusthouse Forte	5,900
Courtaulds	1,000	Next	3,600	Ultramar	4,100
Dalgety	648	Northern Foods	453	Unilever	1,000
Dee Corporation	789	Pearson	68	United Biscuits	1,100
Dixons	1,600	Pearl Group	127	Wellcome	700
English China Clays	131	P & O	402	Whitbread "A"	773
Enterprise Oil	1,500	Pilkington	5650	Williams Holdings	718
FKI Babcock	450	Plessey	4,700	Wimpey	1,000
Fisons	2,500			Woolworth	766

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	98	11
Corporations, Dominion and Foreign Bonds	2	28	23
Industrials	303	514	747
Financial and Properties	122	190	342
Oils	24	40	43
Plantations	1	1	11
Mines	58	41	91
Others	75	85	117
Totals	589	997	1,385

FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Thursday June 16 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Jun 15 Index No.	Tue Jun 14 Index No.	Mon Jun 13 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	785.10	-0.2	9.97	3.94	12.50	11.31	786.55	781.64	771.80	961.73
2 Building Materials (29)	1022.21	-0.5	10.73	4.84	11.60	11.36	1027.79	1024.14	1007.75	1257.65
3 Contracting, Construction (35)	1590.36	-0.3	10.20	3.56	12.96	25.53	1595.89	1595.54	1581.67	1728.46
4 Electricals (12)	2097.30	-0.3	8.99	4.77	13.75	45.53	2103.34	2087.07	2058.46	2486.99
5 Electronics (31)	1675.35	-0.9	9.46	3.27	13.19	17.77	1660.85	1642.65	1632.51	2141.23
6 Mechanical Engineering (56)	402.68	-0.5	9.86	4.31	12.92	4.85	404.58	401.27	397.14	503.95
8 Metals and Metal Forming (8)	477.67	+0.5	10.01	3.91	12.34	6.02	475.17	468.47	461.61	532.60
9 Motors (13)	277.11	-0.4	11.64	4.42	9.97	5.22	278.25	276.19	272.48	343.39
10 Other Industrial Materials (24)	1302.46	-0.3	9.06	4.30	13.13	21.24	1312.78	1308.83	1281.92	1589.06
21 CONSUMER GROUP (187)	1098.33	-0.7	8.80	3.51	14.37	13.03	1106.08	1102.07	1085.38	1339.98
22 Brewers and Distillers (21)	1139.23	-0.2	10.44	3.54	12.03	13.58	1141.54	1137.34	1118.71	1212.67
25 Food Manufacturing (23)	974.71	-1.2	8.45	3.53	15.15	13.67	986.84	987.93	977.10	1031.77
26 Food Retailing (16)	2034.88	-0.1	8.24	3.19	16.16	21.46	2036.52	2037.75	2001.32	2589.81
27 Health and Household (12)	1863.92	-1.6	6.73	2.62	17.30	10.93	1893.97	1873.58	1826.94	2525.35
29 Leisure (30)	1348.02	-0.4	7.82	3.53	16.53	18.36	1342.59	1343.96	1334.66	1390.31
31 Packaging & Paper (17)	509.06	-1.3	9.49	3.93	13.39	6.18	515.69	504.34	497.74	697.29
32 Publishing & Printing (16)	3441.04	-1.0	8.24	4.43	15.30	44.73	3475.19	3441.52	3412.89	4281.25
34 Stores (35)	821.45	-0.4	10.16	3.90	12.98	11.24	824.78	825.39	815.73	1134.27
35 Textiles (17)	598.40	-0.2	11.45	4.55	10.19	10.99	599.49	592.51	584.24	705.58
40 OTHER GROUPS (92)	900.45	-0.5	10.72	4.29	11.43	10.17	904.58	902.91	888.23	1188.80
41 Agencies (19)	1281.08	-1.2	6.98	2.25	18.29	11.31	1215.52	1206.42	1176.81	1618.21
42 Chemicals (20)	1063.26	-0.4	11.59	4.63	10.73	21.53	1067.73	1071.25	1034.37	1368.85
43 Conglomerates (13)	1209.53	-0.7	10.28	4.36	11.10	16.27	1218.67	1212.61	1194.79	1364.84
45 Shipping and Transport (12)	1928.07	-0.9	11.18	4.63	11.86	29.61	1946.18	1949.10	1920.85	2251.46
47 Telephone Networks (2)	960.56	+0.3	11.44	4.57	11.38	6.90	957.42	968.58	947.88	1173.66
48 Miscellaneous (26)	1165.73	-0.8	11.06	4.27	10.26	19.26	1195.60	1181.69	1165.43	1512.87
49 INDUSTRIAL GROUP (487)	973.93	-0.5	9.63	3.83	12.96	12.04	978.83	975.09	960.64	1192.33
51 Oil & Gas (13)	1869.60	+0.3	10.69	5.67	12.02	39.00	1864.15	1865.02	1847.93	2268.49
59 500 SHARE INDEX (500)	1049.65	-0.4	9.78	4.09	12.82	14.34	1053.73	1050.35	1035.63	1278.52
61 FINANCIAL GROUP (122)	715.83	-0.4	-	4.64	-	14.08	718.85	720.68	712.57	867.01
62 Banks (8)	677.32	-0.4	21.02	6.01	6.38	18.43	680.17	689.75	676.69	843.77
65 Insurance (Life) (8)	1053.43	-0.5	-	4.76	-	24.97	1059.87	1045.73	1047.63	1144.64
66 Insurance (Composite) (7)	563.22	+0.2	-	5.25	-	13.82	562.16	561.83	559.35	598.71
67 Insurance (Brokers) (7)	1098.00	-0.2	9.56	4.81	13.52	26.67	1099.33	1098.83	1086.61	1221.32
68 Merchant Banks (11)	368.51	-0.8	-	3.77	-	3.94	371.40	373.87	372.27	481.96
69 Property (51)	1249.48	-0.7	4.85	2.58	26.38	11.21	1258.31	1256.03	1238.28	1239.34
70 Other Financial (30)	390.59	-0.4	9.94	4.78	12.51	5.96	392.15	393.42	391.65	522.16
71 Investment Trusts (80)	901.78	-0.3	-	2.92	-	10.24	904.27	899.47	888.52	1078.42
81 Mining Finance (2)	543.40	+1.2	8.89	3.46	12.72	8.12	536.88	532.47	531.53	490.85
91 Overseas Traders (8)	1140.67	+0.3	10.20	4.90	11.53	27.23	1136.73	1131.40	1122.08	1652.56
99 ALL-SHARE INDEX (712)	962.26	-0.4	-	4.15	-	14.09	965.71	963.35	950.57	1149.23

	Index No.	Day's Change	Day's High	Day's Low	Jun 15	Jun 14	Jun 13	Jun 10	Jun 9	Year ago
FT-SE 100 SHARE INDEX §	1861.9	-7.4	1873.3	1856.5	1869.3	1866.2	1838.8	1849.8	1841.5	2293.2

FIXED INTEREST

PRICE INDICES	Thu Jun 16	Day's change %	Wed Jun 15	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	122.63	-0.21	122.89	-	5.51
2 5-15 years	140.02	-0.60	140.86	-	6.44
3 Over 15 years	149.47	-0.81	150.70	-	6.67
4 Irredeemables	166.58	-0.60	167.58	-	6.31
5 All stocks	136.85	-0.51	137.55	-	6.19
Index-Linked					
6 5 years	128.21	+0.06	128.13	-	0.51
7 Over 5 years	121.34	-	121.34	-	1.46
8 All stocks	121.73	-	121.72	-	1.37
9 Debentures & Loans	119.83	-0.09	119.95	-	5.88
10 Preference	93.21	-0.51	93.68	-	3.22

AVERAGE GROSS REDEMPTION YIELDS		Thu Jun 16	Wed Jun 15	Year ago (approx.)
British Government				
1 Low Coupons	5 years	8.84	8.76	7.96
2	15 years	9.18	9.08	8.75
3	25 years	9.02	8.93	8.76
4 Medium Coupons	5 years	9.29	9.21	8.82
5	15 years	9.45	9.35	9.08
6	25 years	9.20	9.10	8.98
7 High Coupons	5 years	9.41	9.31	9.00
8	15 years	9.52	9.42	9.16
9	25 years	9.26	9.16	8.90
10 Irredeemables		9.06	8.98	8.82
Index-Linked				
11 Inflation rate 5%	5yrs	2.62	2.64	2.47
12 Inflation rate 5%	Over 5 yrs	3.80	3.80	3.76
13 Inflation rate 10%	5yrs	1.71	1.72	2.10
14 Inflation rate 10%	Over 5 yrs	3.65	3.65	3.40
15 Debs & Loans	5 years	10.21	10.22	9.66
16	15 years	10.54	10.53	9.99
17	25 years	10.57	10.55	9.98
18 Preference		9.61	9.56	10.10

§Opening index 1871.5; 10 am 1879.3; 11 am 1875.9; Noon 1872.7; 1 pm 1867.2; 2 pm 1865.9; 3 pm 1858.3; 3.30 pm 1860.6; 4 pm 1860.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

June 16 Total Contracts 34,328 Calls 23,784 Puts 10,544
FT-SE Index Calls 826 Puts 1846
*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
150	F.P.	8/7	164	153	ASW Hldgs. 25p	164		W7.3	2.5	5.9	9.0
§135	F.P.	-	152	147	Acal 5p	150		L3.5	3.5	3.2	11.9
§280	F.P.	-	280	280	Anglesey Mining Units 9p	280		-	-	-	-
-	F.P.	-	2½	1¼	*Barbican Hldgs. 1p	1¼		-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | GERMANY (continued) | ITALY | NETHERLANDS | NETHERLANDS (continued) | NORWAY | SPAIN | SWEDEN | SWEDEN (continued) | SWITZERLAND | SOUTH AFRICA

[illegible]

CANADA

TORONTO

2pm Prices June 16

Quotations in cents unless marked $.

[illegible]

JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices June 16

Continued from page 41

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

	Jun 15	Jun 14	Jun 13	Jun 10	1988 High	1988 Low	Since compilation High	Since compilation Low
NYSE Composite	[illegible]	[illegible]	[illegible]	[illegible]	(15/6)	(20/1)	(25/8/87)	(25/4/42)
Amex Mkt. Value	308.78	308.88	307.9	309.33	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	389.08	388.53	386.43	386.25	389.08 (15/6)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 10	Jun 3	May 20	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.58	3.68	2.83

	Jun 8	Jun 1	May 25	year ago (approx.)
S & P Industrial div. yield	3.08	3.64	3.29	2.52
S & P P/E ratio	14.21	14.33	13.29	23.17

TRADING ACTIVITY † Volume

Millions	Jun 15	Jun 14	Jun 13
New York	150.260	227.150	125.310
Amex	11.891	13.302	8.640
OTC	160.717	174.857	128.472

NEW YORK	Jun 15	Jun 14	Jun 13
Issues Traded	1,971	1,989	1,946
Rises	772	1,091	769
Falls	669	432	696
Unchanged	530	466	481
New Highs	53	52	42
New Lows	7	6	10

CANADA

TORONTO	Jun 15	Jun 14	Jun 13	Jun 10	1988 High	1988 Low
Metals & Minerals	3071.7	3072.1	3050.8	3071.8	3072.1 (14/6)	2238.7 (8/2)
Composite	3399.9	3396.2	3376.6	3379.9	3402.4 (12/4)	2977.9 (8/2)
MONTREAL Portfolio	1686.19	1680.92	1674.72	1672.55	1686.19 (15/6)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
McDermott	3,089,700	19¾	.....
Texaco	2,587,600	49⅞	− ⅛
Hewlett-Packard	2,563,600	53⅝	− 1⅜
Jacker-Daniels	2,148,200	20¼	− ½
Fluor	2,077,700	21½	+ ½
BankAmerica	1,888,500	12¼	+ ¼
Upjohn	1,690,800	33	+ 1
Exxon	1,600,400	46⅛	− ⅛
Philip Morris	1,568,000	84⅛	+ ⅞
Zenith	1,382,200	26⅜	+ 2½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

AUSTRALIA | AUSTRIA | BELGIUM | DENMARK | FINLAND | FRANCE | GERMANY | HONG KONG | ITALY | JAPAN** | NETHERLANDS | NORWAY | SINGAPORE | SOUTH AFRICA | SPAIN | SWEDEN | SWITZERLAND | WORLD

[illegible]

‡ Subject to official recalculation
† Amended at source.

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Barr & W.A.T. A	272	+	9
Boddington	161	+	7
Bowthorpe	172	+	6
Circaprint	140	+	8
FKB	280	+	14
Gold Greenless	274	+	7
Jerome (S.)	238	+	18
LPA Inds.	84	+	17
Macallan-Glenlivet	925	+	20
Marler Estates	83	+	12
Miller (Stanley)	183	+	22
Piccadilly Rad NV	115	+	6
Radio Clyde	171	+	7
VSEL	483	+	20
Wolv. & Dudley	407	+	6
Yale & Valor	290	+	9

FALLS

BAT Inds.	434	−	6
BOC	406½	−	9½
Bunzl	150	−	9
Cadbury Schweppes	401	−	9
Glaxo	965	−	18
Hammerson A	629	−	12
Johnson Matthey	293	−	17
RHM	374	−	6
Saatchi & Saatchi	403	−	20
Utd. Newspapers	428	−	6

TOKYO – Most Active Stocks
Thursday, June 16, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	146.81m	559	+9
Kobe Steel	75.53m	496	−4
Kawasaki Steel	73.26m	563	+10
Sumitomo Metal	72.51m	505	+5
NKK	69.52m	530	+5
Mitsubishi Heavy Industries	57.15m	825	+8
Sumitomo Chemical	43.54m	1,150	+30
Mitsui Mining and Smelting	42.80m	677	+17
Sumitomo Heavy Ind	25.80m	748	+26
Mitsui Toatsu Chemical	25.37m	884	+19

Closing Prices June 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
26	14	AAR s	.36	1.4	21	331	25⅜	25	25	– ¼
12⅛	8¾	ACMIn n	1.19e	10.		311	11¾	11½	11⅝	– ⅛
12⅛	10¾	ACMSc n	1.26	11.		535	11⅛	11¼	11⅛	
10⅛	10	ACMSp n				335	10	10	10	
27¾	10½	AGS			21	1871	27⅝	27½	27⅝	+ ⅛
7⅞	2⅝	AMCA				41	4	4	4	
6⅝	3¼	AM Intl				137	3⅜	3⅝	3⅝	– ⅛
29⅜	17	AM Int pf	2	11.		40	18⅝	18⅝	18⅝	– ⅛
65½	26¾	AMR			12	3143	47⅞	47¼	47⅝	– ⅜
11⅜	5¾	ARX			11	138	8⅞	8⅝	8⅝	– ⅛
72⅞	40⅛	ASA	3	6.7		254	45⅛	44⅞	44¾	
22⅜	9½	AVX			12	459	17⅜	16⅝	16⅞	– ⅞
66⅞	40	AbtLab	1.20	2.7	16	3370	45½	45	45⅛	– ½
28	15⅜	Abitibi g	1			94	18⅝	18½	18⅝	
16¾	8½	AcmeC	.40	3.5		85	11⅝	11⅛	11½	+ ⅛
20	14⅛	AdaEx	3.05e	19.		15	16	15⅞	15⅞	
24⅞	7½	AMD				6507	15⅜	15⅛	15⅝	– ⅛
66⅜	29¼	AMD pf	3	7.3		18	41⅜	41¼	41¼	– ½
11⅞	4⅝	Adobe			12	302	8	7⅞	7⅞	– ⅛
20¼	16¼	Adob pf	1.84	10.		38	18⅛	17⅞	18⅛	+ ⅛
21¾	17½	Adob pf	2.40	12.		34	21	20⅝	20¾	– ¼
13⅛	5⅞	Advest	.12	1.8	9	77	6⅞	6¾	6⅞	
64¼	39½	AetnLf	2.76	6.1	6	3147	45⅞	45	45⅛	– ⅛
83½	41	AfilPub	.40b	.7	50	514	59⅛	58½	58½	– ¾
23¾	13	Ahmans	.88	5.5	11	3586	16½	15⅞	16⅛	– ⅜
4⅝	1¾	Aileen				122	3⅛	2⅞	3⅛	+ ⅜
53⅞	29	AirPrd	1	2.0	14	1480	50⅛	49½	50⅛	– ¼
34½	11⅛	AirbFrt	.60	3.2	26	244	19¼	18¾	19	+ ⅛
16½	6¾	Airgas			17	68	13⅝	13½	13⅝	– ⅛
19¾	13½	Airlease	2.30	12.	10	55	19½	19⅛	19⅛	– ⅛
27¾	25½	AlaP	pf2.09e	8.2		9	25½	25½	25½	– ⅛
10	7⅝	AlaP dpf	.87	9.3		675	9⅜	9⅛	9⅜	+ ⅛
98½	81½	AlaP pf	9	9.7		z400	93	93	93	+ ½
101½	86½	AlaP pf	9.44	9.9		z470	95½	95½	95½	– ¼
91⅛	76	AlaP pf	8.16	9.8		z120	84	83	83	– ½
88½	77	AlaP pf	8.28	9.9		z1170	83½	83½	83½	– 2½
24	12¼	AlskAir	.16	.9	16	1029	18⅜	18	18⅜	+ ⅜
38	14½	Alberto	.30	.9	21	170	35	34⅜	34⅜	– ⅞
26¼	12⅝	AlbCulA	.30	1.2	18	145	26	25½	25¾	– ⅜
34	20¼	Albtsn s	.56	1.7	17	1352	33¾	32¾	33	– ¾
37⅞	18	Alcan s	.72	2.3	10	5234	32¼	31½	31⅞	– ⅛
30	15¼	AlcoStd	.68	2.7	12	1037	25½	24½	24⅞	– ⅜
28¼	15⅞	AlexAlx	1	4.3	15	180	23½	23	23⅛	– ⅜
59	34¾	Alexdr				4	50⅝	50⅛	50⅛	– ¾
92½	61½	AllegCp			8	20	71	71	71	+ ½
19	2⅛	vjAlgInt				3410	4½	4	4½	+ ⅝
18¾	5¼	vjAlgl pr				215	10¼	8¾	10¼	+ 1⅝
81	17	vjAlgl pfC				141	27	25½	27	+ 2
34	15⅛	AlgLud	.48	1.6	12	146	29¾	29⅛	29¾	+ ⅜
41½	31⅜	AllgPw	3	7.8	9	267	38⅜	38¼	38⅝	– ⅛
17⅝	5½	AllenG				162	10⅞	10½	10⅝	
22	9¾	Allen pf	1.75	13.		10	14	13⅝	13⅞	+ ¼
11⅜	10	AlnCap n				138	11¼	11⅛	11⅛	
33⅞	12⅞	AlldPd			44	37	21	20¾	20¾	– ⅛
48¾	26	AldSgnl	1.80	5.2	11	1236	35⅛	34⅝	34⅝	– ⅝
3¼	⅞	vjAllisC				459	1	⅞	⅞	
30	3⅝	AlisC pf				43	4	3⅞	3⅞	– ⅛
10⅜	8⅞	AlstMu	n.78	7.7		525	10⅛	10	10⅛	
10¼	9⅞	AlsMl n				361	10	d 9¾	9¾	– ⅛
34⅜	23	ALLTEL	1.52	4.6	11	375	34	33⅝	33¾	– ¼
64¼	33¾	Alcoa	1.20	2.4	13	3685	51¼	50⅛	50⅜	– ⅞
32	14	AmrG	n.08e	.3	23	172	25½	25⅛	25⅜	+ ⅜
29⅜	12½	Amax	.20	.9	94	1123	22⅞	22½	22½	– ⅜
41⅞	21½	AmHes	.60	2.2	20	2716	28	27⅜	27⅜	– ⅝
30⅜	12¾	ABrck	s.05e			824	22⅛	22⅛	22⅛	
60	36½	AmBrnd	2.20	4.8	9	1886	46⅛	45¼	45⅜	
33⅜	27¾	ABrd	pf2.75	9.3		11	29½	29⅜	29½	+ ⅛
118¾	75	ABrd	pf2.67	2.9		1	91½	91½	91½	+ 1½
38	15	ABldM	.92	3.8	16	115	24½	24⅜	24⅜	– ⅛
31½	15½	ABusPr	.88	3.6	14	25	25	24¾	24¾	
22⅝	17⅞	ACapBd	2.20	11.		32	21⅛	20¾	20¾	– ¼
33¾	20	ACapCv	5.61e	28.		28	21⅞	21¾	21⅞	
10⅜	9⅞	ACapIn	n.09e	.9		114	10	9⅞	10	+ ⅛
[illegible]										

Continued on Page 41

هكذا من الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

Closing Prices June 16

Copyright by The Associated Press

OVER-THE-COUNTER

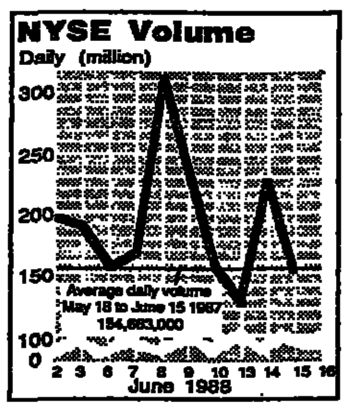
Nasdaq national market, 3pm Prices June 16

Continued on Page 39

FINANCIAL TIMES Friday June 17 1988

AMERICA

Fears of overseas interest rate rise depress equities



Wall Street

THE POST-TRADE figures honeymoon for the US financial markets was a brief one, as fears about higher interest rates abroad and higher inflation put pressure on the dollar and undermined both equities and bonds, *writes Janet Bush in New York.*

A sluggish performance in equities and modest profit-taking in the bond market on Wednesday developed yesterday into much more substantial selling.

The Dow Jones Industrial Average closed 37.16 points lower at 2,094.24 on volume of 162m shares.

The bond market, which had been the strongest performer after the trade figures, has also seen the most profit-taking. Yesterday, bonds were quoted as much as 1¾ points lower in late trading. The Treasury's benchmark 30-year issue stood 1½ points lower to yield 8.99 per cent, nearly back to its level before Tuesday's trade figures.

The substantial rallies in both markets, as well as in the dollar on Tuesday laid the groundwork for yesterday's declines. Profit-taking seemed inevitable after the speed of price gains earlier this week.

However, natural profit-taking was exacerbated by fresh worries about inflation, and speculation that interest rates overseas may be heading higher. This would narrow the rate differential in favour of the dollar and, of course, US bonds.

After a brief hiatus, as markets bounced on April's encouraging trade figures, the focus has once again turned to commodity prices. The Commodity Research Bureau's futures index surged nearly 2¼ points on Wednesday and had jumped another 2 points by late morning yesterday, before dipping back modestly.

Much of this rise is accounted for by grain futures, amid fears for this year's crop from unusually dry and hot weather across the farm belt. The US Department of Agriculture has declared a drought emergency in 18 states.

However, potentially even more damaging for US markets were reports that the Bundesbank's policy-making council had voted on Wednesday to nudge up money market interest rates. The report, in the West German business newspaper Handelsblatt, suggested that the Bundesbank would raise the rate on its securities repurchase agreement to 3.5 per cent from 3.25 per cent, the rate which has been in place since late November.

The Bundesbank was yesterday reported to have intervened against the dollar in New York. At the close, the dollar was quoted at Y125.55, compared with a high of Y126.25. It remained buoyant against the D-Mark, however, being quoted at DM1.7545, compared with a low of DM1.7430.

There was also some concern about the potential for higher interest rates in Japan, after the release of a very strong gross national product figure in the three months from January to March. Real GNP rose by 2.7 per cent, equivalent to annualised inflation-adjusted growth of 11.3 per cent. In fiscal 1987 ended March, the economy grew by 4.9 per cent, well above the Japanese Government's already downward-revised 3.7 per cent target.

With the Toronto economic summit getting under way on Sunday, international developments such as these have taken on additional importance.

Texaco was once again a featured stock. It fell 3⅝ to $49¾, after news that the company had signed a letter of intent with Saudi Arabia's national oil company to set up a joint venture which would take over Texaco's refining, distribution and marketing operations in the East and Gulf Coast regions of the US.

This probably makes it more difficult for Mr Carl Icahn to win his proxy fight for control of Texaco's board today.

Pennwalt surged $7⅛ to $78⅜, after news that Centaur Partners, a group of investors, now holds a 6.5 per cent stake in the company, and may seek control.

SmithKline Beckman slumped $9¼ to $45¾ after a long delay before the stock opened. The company said it expected operating earnings and earnings per share this year to be between 5 per cent and 10 per cent lower than in 1987.

Canada

FALLING golds, base metals and industrials pushed down Toronto share prices in heavy trading yesterday.

The composite index, which had risen about 1 point in earlier trading, dropped 7.95 points to 3,391.95, as declines outnumbered advances by 451 to 322 on active turnover of 38.6m shares.

Trading in Polysar Energy, Nova Corp and Laidlaw class B accounted for about half of the market volume.

EUROPE

Milan moves higher as other bourses falter

PROFIT-TAKING and concern over interest rates and the dollar left major European bourses lower yesterday, but Milan had a good day as the new trading account took off.

FRANKFURT fell from the start as profit-taking gathered pace and the bond market was hit by reports that the Bundesbank planned to increase its main money market rate, the repurchase pact rate.

The FAZ index ended 3.59 lower at 472.06 but volume was again thin before today's public holiday.

The main losers were high-profile stocks that had performed strongly in Wednesday's advance, with banks suffering from fears of a rise in interest rates. Deutsche Bank fell back DM9 to DM432 after its DM11 gain the previous day.

Car stocks also went rapidly into reverse, with Daimler losing DM15 to DM639 and BMW off DM11 at DM527, wiping out Wednesday's gains.

Chemicals eased, and dealers discounted Schering's dividend when the price ended DM12 lower at DM518.

Bonds suffered losses of nearly DM1 amid heavy selling induced by the report of a planned rise in the repurchase rate next week from 3.25 per cent to 3.50 per cent. The Bundesbank declined to comment. The federal 6¼ per cent 1998 bond was fixed 90 pfg lower at 99.15, yielding 6.61 per cent after 6.49 per cent.

PARIS was also hit by profit-taking. The day saw moderate trading, with some operators starting to square their positions before next week's new monthly account.

The EFX 50 index fell 6.79 to 342.73, while the CAC General eased 2.9 to 350.7.

Among the heavier losses, Cie du Midi was down FFr75 at FFr1,426 and Perrier shed FFr41 to FFr856. Schneider retreated FFr23.90 to FFr327 after the bourse approved its offer for Télémécanique, the industrial automation company, still suspended at FFr5,505.

London

EARLY trading found the FT-SE 100 index up 10 points, before revised UK trade figures, average earnings statistics and Wall Street's poor opening swung investors' moods.

International stocks led the downturn and the index ended 7.4 points lower at 1,861.9 on turnover of 467.5m shares.

MILAN started the new account in lively trading and the MIB index rose by 1.1 per cent to 1,007. As expected, blue chips were in demand, holding back the overall gain.

Among impressive performers, the Fiat group stood out. Fiat common jumped L273 to L8,525 before falling back in after-hours trading, while the Agnelli family's holding company, IFI, which controls Fiat, was L350 better at L14,960.

Snia continued its run in the limelight and the shares put on another L133 to L2,179, a two-day gain of L188.

MADRID ran into profit-taking after the market's recent good run. The general index lost 1.58 points to 300.04 with banking and investment stocks leading the way down.

Banesto lost 13 percentage points to 1,422 per cent of nominal market value and Central reatreated 5 to 1,235. Santander was unchanged at 1,460.

ZURICH continued to be influenced by currency considerations and the downturn in the dollar was mirrored by the all share index which closed 3.6 points lower at 858.1. Underlying sentiment remained positive, however, and some blue chip stocks moved against the trend.

Bearer shares in engineer Oerlikon-Bührle rose SFr50 to SFr1,050, but Brown Boveri gave up SFr30 to SFr2,320.

AMSTERDAM experienced a buying drought as institutional and retail investors waited for Wall Street to provide a lead and then followed when it opened weaker. The weighted ANP-CBS general index shaded to 258.3, down 0.9.

Akzo gave up Fl 1.50 to Fl 119.40, while KLM lost Fl 0.40 to Fl 36.20 after declaring an unchanged dividend on virtually static earnings.

HELSINKI powered forward to record its third consecutive record high in heavy turnover. The Unitas all share index rose 0.7 per cent to 728.7, up 5.1 points from Wednesday's close.

BRUSSELS improved as investors reacted to the strong performance of international equities. The stock index firmed 20.30 to 4,920.50, with the rise led by blue chips.

Petrofina, the market's bellwether stock, set the tone, rising BFr175 to BFr12,525 and lifting companies which hold its shares. Tractebel put on BFr180 to BFr6,800 and Cometra gained BFr40 to BFr3,975.

Solvay continued to benefit from its good profits figures and the shares put on BFr200 to BFr13,300.

SOUTH AFRICA

GOLD shares closed narrowly mixed in Johannesburg yesterday in cautious trading, after rising earlier in response to a higher bullion price.

Randfontein was unchanged at R255 after reaching R259 earlier, Vaal Reefs was off R1.50 at R265 and Beatrix gained 25 cents to R13.50.

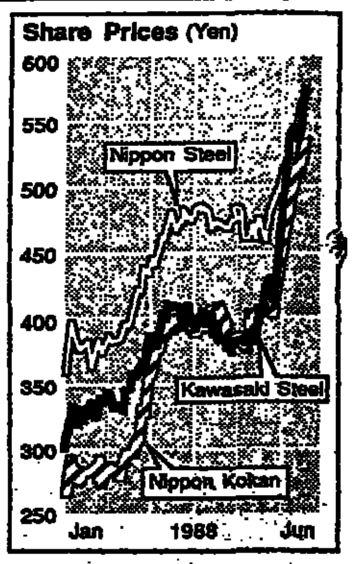
There was reported to be almost full attendance by black workers at most of the gold mines, despite the stayaway elsewhere in commemoration of the Soweto riots.

In diamonds, De Beers slipped 20 cents to R35.65, and in mining houses, Anglo American lost 25 cents to R50.75 while Gencor gained 40 cents to R51 and Gold Fields increased by 25 cents to R55.75.

Platinums were mainly mixed.

Alison Maitland on a Japanese sector that is forging ahead

Steels find work for idle lands



JAPANESE steel stocks have gained a further lease of life in recent weeks as attention has shifted from the remarkable recovery in their earnings to their plans to redevelop idle land and assets.

For most of the past month, the giant steel companies have seen heavy trading, heading the list of most active issues on the Tokyo Stock Exchange, and their share prices have surged forward, outperforming an already record-breaking market.

Nippon Steel, the largest capitalised stock among the steels at around $30bn, has seen its share price rise 22 per cent since mid-May to Y559 yesterday against a gain in the Nikkei average of less than 2 per cent.

Kawasaki Steel, the second biggest of the stocks, has performed even more dramatically, soaring 48 per cent to Y563, while Nippon Kokan has scored a 33 per cent advance to Y530.

The steel sector has performed well for most of the year, seeing heavy turnover during February, March and part of April as interest focused on the turnround in these companies' fortunes.

Painful restructuring and diversification and a sharp revival in domestic and world demand for steel have enabled the five big integrated producers to return to profit this year after suffering huge losses in the year ending March 1987.

Now that the results season is over and the strength of their recovery known, interest in their earnings potential has given way to concentration on their plans to make new use of redundant assets. "It's the logical next step," says Mr Chris Derricott, an assistant director and Japan salesman at Baring Securities in London.

Kawasaki Steel, in particular, has been in demand for its plans to close three out of five blast furnaces and redevelop a large site in the centre of the city of Chiba, east of Tokyo, with leisure facilities, shops and housing, he says.

Nippon Steel, similarly, is being promoted on the redevelopment theme. It has decided to close five out of 12 blast furnaces over the next two years and to build grain silos, a glass factory and a holiday resort. The company also owns land in Chiba and is expected to benefit from the redevelopment of the area.

Another reason for the steels' popularity is their relative cheapness. Two years ago when the steel producers were losing money, their price-earnings ratios were "infinite", explains Mr Andrew Jacobs of Nomura Securities.

Now that their earnings position has improved, their p/e ratios are back down to about 20 or 30 – low compared with the current market p/e of 55 and with a company like Nomura Securities, on a multiple of 40.

"They are stocks at low absolute prices, easy for individual investors to deal in," says Mr Jacobs. To trade in most shares in Tokyo, investors have to deal in lots of 1,000 shares or more.

The same cost advantage applies to shipping stocks, which are increasingly being assessed in the light of what has happened to steels, according to Mr Jacobs. "Two years ago the steel companies' figures looked rubbish, but you would have tripled your money by buying them then."

After this unexpected reversal of fortunes, investors are now asking whether the shipping lines might not see a similar recovery from their current recession as their own rationalisation bears fruit and better commodity prices lead to a rise in freight rates. This optimism helps to explain the sector's continuing popularity in recent weeks.

Nippon Yusen has risen 9 per cent since mid-May to Y720 yesterday – a 53 per cent gain over the start of the year. Nippon Yusen is currently on a huge p/e ratio of 310, not unlike that of the steel stocks two years ago.

Kawasaki Kisen has jumped 51 per cent to Y409 since mid-May, a 90 per cent rise since January 4, while Mitsui OSK is up 15 per cent on mid-May at Y405 and has virtually doubled since the start of the year.

ASIA

Funds flow in as Nikkei peaks again

Tokyo

MASSIVE funds continued to flow into leading stocks yesterday, despite investor wariness about the rapidity of the recent price rise. The Nikkei average reached another all-time high after its fourth straight advance, *writes Shigeo Nishiwaki of Jiji Press.*

The market barometer of 225 select issues soared by 134.79 in early trading to the day's high of 28,228.31, but closed at 28,147.32, a rise of 53.8. The low was 28,108.95. Turnover reached an estimated 900m shares in the early session, but slackened in the afternoon. The total for the day was 1.45bn shares, significantly down from Wednesday's 2.49bn.

Dealing in large-capitalisation steel, shipbuilding and chemical stocks was unabated, reflecting the continued gains on Wall Street. But investors were concerned about the concentration of trading in leading issues, the fast tempo of the advance and possible measures by the Tokyo Stock Exchange to prevent the market overheating. Some investors shifted their attention to other chemicals, non-ferrous metals and situation stocks. However, large-cap issues regained popularity when Nippon Steel became the focus of attention shortly before the close.

Leading steel stocks continued to dominate the active list, occupying the top five slots. Nippon Steel, which was most heavily traded with 146.81m shares changing hands, see-sawed between Y549 and Y560 before closing at Y559, up Y9. Kobe Steel fell Y4 to Y496 on the second heaviest trading of 75.53m shares. Kawasaki Steel rose Y10 to Y563, and Sumitomo Metal Industries and NKK climbed Y5 each to Y505 and Y530, respectively, all record highs.

Among chemicals, Sumitomo Chemical jumped Y30 to Y1,150, while Mitsui Mining and Smelting mirrored rises in non-ferrous metal prices and climbed Y17 to Y677.

Investors also sought railway stocks and issues with heavy off-the-book assets. Sumitomo Heavy Industries closed Y26 higher at Y748 and Keisei Electric Railway advanced Y80 to Y1,300.

However, high-technology stocks could not match their recent advance and were checked by institutional investors' willingness to sell at higher prices. NEC lost Y50 to Y2,170 and Matsushita Electric Industrial fell Y40 to Y2,580.

Supermarkets gained ground, with Izutsuya and Jujiya scoring daily maximum allowable rises of Y200 and Y104, respectively, to Y1,240 and Y1,090.

Bond prices continued to decline due to uncertainty over the Bank of Japan's immediate policy stance and persistent selling by city bank dealers looking to adjust their positions. The yield on the benchmark 5.0 per cent Government bond due in December 1997 went up gradually from Wednesday's 4.660 per cent to 4.700 per cent in block trading on the TSE and to 4.710 per cent in later inter-dealer trading.

The New York advance prompted investors to seek stocks of companies based in the Kansai Western Japan region, and the Osaka Stock Exchange average closed at another all-time high of 28,099.67, up 83.99. Turnover shrank by 51m shares to 143m.

Morita Fire Pump shot up Y220 to Y1,800 on brisk sales of fire engines to local governments, and Nakayama Steel Works advanced Y80 to Y1,180 on expectations that the company's recurring profit estimate for the year ending in March 1989 would be revised sharply upward.

Australia

BRISK trading pushed the All Ordinaries index 11.9 points higher to 1,599.5 as the market retained its confident mood. Turnover was steady in advance of today's May trade figures, despite forecasts for a widening of Australia's current account deficit to around A$700m from April's A$396m.

Rises outnumbered falls by about three to two as 156.4m shares, worth A$217.5m, changed hands. Scattered profit-taking and position squaring ahead of the trade data only dented the positive sentiment.

Among industrials, Elders IXL rose 11 cents to A$3.10 on turnover of 5.2m shares, after the company won shareholder approval for a restructuring programme.

Hong Kong

LIGHT profit-taking sent the Hang Seng index down 6.08 points to 2,693.50, but with turnover continuing its recent strong trend the market was well-supported and the index fluctuated only 15 points during trading.

Both local and overseas institutional investors returned as buyers, and turnover of HK$1.43bn was only slightly lower than Wednesday's HK$1.89bn.

Swire "A" was the most actively traded stock and ended 10 cents lower at HK$18.10. Shares in Cheung Kong remained volatile and slipped 5 cents to HK$7.95.

Wormald rose 2 cents to HK$1.57 after Wednesday's figures and bonus issue.

Trading in Yaumati Ferry was suspended after the company announced it would raise over HK$117m by placing 16.6m shares with Henderson. Watchmaker Asia Commercial added 7 cents to HK$1.37 after placing 11m shares at HK$1.26 with its Chinese trading partners.

Singapore

SELECTIVE buying pushed the Straits Times industrial index to a year's high of 1,069.39, a small gain of 2.94 points. Tokyo's strength as well as the late rally on Wall Street overnight lifted investor sentiment.

Despite this, turnover was down to 64m shares from Wednesday's 70m shares. Interest continued to centre on Malaysian situation stocks and low-priced issues.

United Pulp and Paper was actively traded with a turnover of over 5m shares helping it to rise 2.5 cents to 47.5 cents. Central Properties featured a 32-cent rise to S$4.82 on speculative buying.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 16 1988					WEDNESDAY JUNE 15 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (88)	145.65	+1.4	120.87	120.03	3.73	143.71	119.26	119.05	145.74	91.16	137.15
Austria (16)	86.82	+0.2	72.05	79.05	2.59	86.65	71.91	78.88	98.18	84.35	86.29
Belgium (63)	123.12	+0.6	102.17	111.58	4.51	122.33	101.52	110.87	139.89	99.14	117.16
Canada (125)	125.42	–0.2	104.08	110.21	3.06	125.61	104.24	110.56	125.61	107.06	126.59
Denmark (39)	129.85	–1.4	107.76	117.89	2.46	131.65	109.26	119.03	132.72	111.42	120.74
Finland (25)	139.37	+0.2	115.66	120.99	1.74	139.11	115.45	121.06	139.53	106.78	–
France (128)	95.89	–1.9	79.57	88.93	3.64	97.73	81.11	90.64	99.62	72.77	106.49
West Germany (99)	77.25	–0.8	64.10	70.42	2.63	77.89	64.64	70.98	80.79	67.78	93.01
Hong Kong (46)	108.34	–0.2	89.91	108.54	4.22	108.50	90.04	108.75	108.50	84.90	124.46
Ireland (18)	141.54	+1.6	117.46	130.35	3.64	139.31	115.61	128.47	141.54	104.60	129.86
Italy (102)	70.50	+1.1	58.51	68.61	2.93	69.76	57.89	67.78	81.74	62.99	101.62
Japan (456)	174.67	+0.2	144.95	138.84	0.52	174.35	144.69	139.09	177.27	133.61	155.94
Malaysia (36)	145.94	+0.8	121.11	144.87	2.51	144.78	120.15	143.83	145.94	107.83	170.47
Mexico (14)	171.80	+0.7	142.57	428.27	1.17	170.64	141.61	425.37	176.90	90.07	256.95
Netherland (38)	106.12	–1.2	88.06	95.41	4.85	107.39	89.12	96.49	110.66	95.23	118.85
New Zealand (21)	84.05	+1.2	69.75	63.03	5.73	83.02	68.90	62.72	84.05	64.42	100.20
Norway (25)	124.60	–1.8	103.40	107.60	2.80	126.82	105.25	109.48	132.23	98.55	138.97
Singapore (26)	123.33	+0.9	102.35	115.03	2.18	122.20	101.41	114.09	123.33	97.99	142.59
South Africa (60)	131.05	+0.4	108.75	86.15	5.10	130.57	108.35	86.16	139.07	118.16	158.23
Spain (42)	161.28	–0.5	133.84	141.37	3.07	162.06	134.49	142.05	164.47	130.73	114.42
Sweden (36)	123.38	+0.0	102.39	110.92	2.56	123.33	102.34	111.00	125.50	96.92	115.38
Switzerland (55)	80.84	–0.2	67.09	73.22	2.33	81.00	67.22	73.62	86.75	75.60	95.41
United Kingdom (327)	138.24	–0.4	114.72	114.72	4.29	138.76	115.16	115.16	141.18	123.09	151.37
USA (578)	110.06	–1.5	91.34	110.06	3.56	111.69	92.69	111.69	111.69	99.19	125.17
Europe (1013)	109.35	–0.5	90.74	95.74	3.73	109.90	91.20	96.23	110.82	97.01	121.45
Pacific Basin (673)	170.91	+0.2	141.83	136.75	0.71	170.53	141.52	136.94	172.26	130.81	153.98
Euro-Pacific (1686)	146.29	+0.0	121.40	120.43	1.62	146.29	121.40	120.73	147.53	120.36	141.00
North America (703)	110.88	–1.4	92.02	110.09	3.53	112.43	93.30	111.64	112.43	99.78	125.24
Europe Ex. UK (686)	91.42	–0.6	75.87	83.87	3.23	91.99	76.34	84.39	92.99	80.27	102.87
Pacific Ex. Japan (217)	125.60	+0.9	104.23	110.46	3.88	124.53	103.34	109.91	125.60	87.51	130.09
World Ex. US (1885)	145.44	+0.0	120.69	119.87	1.70	145.44	120.69	120.17	146.49	120.26	140.75
World Ex. UK (2136)	131.15	–0.5	108.84	116.66	2.08	131.77	109.36	117.43	131.77	111.77	133.02
World Ex. So. Af. (2403)	131.76	–0.5	109.35	116.68	2.27	132.39	109.87	117.42	132.39	113.26	134.49
World Ex. Japan (2007)	111.18	–1.0	92.26	105.02	3.63	112.25	93.15	106.06	112.25	100.00	124.53
The World Index (2463)	131.76	–0.5	109.35	116.47	2.29	132.38	109.86	117.21	132.38	113.37	134.64

Base values: Dec 31, 1986 = 100, Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).